

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Waterford, Michigan</u>	County Oakland
Audit Date December 31, 2005	Opinion Date May 26, 2006	Date Accountant Report Submitted To State: June 22, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Waterford, Michigan

**Comprehensive Annual Financial Report
for the Fiscal Year Ended
December 31, 2005**

Prepared by Waterford Township staff

Charter Township of Waterford

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Charter Township of Waterford

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BOARD OF TRUSTEES

Carl W. Solden, Supervisor
Betty Fortino, Clerk
Dee A. Minton, Treasurer
Todd A. Fox, Trustee
David J. Maloney, Trustee
Stan Moore, Trustee
Bette O'Shea, Trustee

WATERFORD

A CHARTER TOWNSHIP

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Waterford, Michigan 48329-3773
Telephone: (248) 674-6201 • Fax: (248) 674-5451
www.twp.waterford.mi.us

CARL W. SOLDEN
Supervisor

June 26, 2006

To the Board of Trustees and Citizens
Charter Township of Waterford
Oakland County, Michigan

In accordance with accounting principles generally accepted in the United States (GAAP), we are submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005. This report has been prepared in conformance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and complies with the requirements of GASB Statement Number 34. It discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of the Township.

This transmittal letter provides information regarding the economy and the governing structure of Waterford Township. An overview of the Township's financial activities for the fiscal year is discussed in detail in the Management's Discussion and Analysis (MD&A) portion of the financial section of the CAFR, which should be read in conjunction with this letter.

REPORT CONTENTS

This CAFR contains three sections: Introductory, Financial and Statistical. The Introductory section includes the Township's transmittal letter, list of principal Township officials, an organizational chart, a list of the Township's labor agreements and a fund organizational chart. The Financial Section is comprised of the independent auditor's opinion, Management Discussion & Analysis, basic Township wide and fund financial statements, informational notes, and required supplemental information. The Statistical Section provides unaudited financial and demographic information about the Township over the previous ten fiscal year period.

GOVERNMENT PROFILE

Waterford Township is organized under Act 359 of 1947 as a Charter Township. Policy-making and legislative authority are vested in the seven member

"Moving Forward Together"

Township Board, four of whom are elected at large in partisan elections as part-time legislators. The Board is responsible for passing ordinances, determining policy, and adopting the budget. The executive function is distributed between the Township Supervisor, Clerk and Treasurer, all of whom also sit on the Board.

This report covers all funds of Waterford Township. The Township provides a full range of services, including, but not limited to, police and fire protection; recreational and cultural activities; and water and sewer services.

ECONOMIC CONDITION AND OUTLOOK

The Charter Township of Waterford was established as a Charter Township in 1961 by a vote of the electorate. The Township is located in the center of Oakland County, immediately to the west of the City of Pontiac. The Township has an area of 35.1 square miles and is traversed from east to west by M-59 (Highland Road) and from Southeast the Northwest by US-24 (Dixie Highway).

Within the Township there is a significant employment base in retail and service industries, and it is anticipated there will be moderate growth in this employment base over the next five to ten years. The Township has an area wide sewer system which is connected to the Detroit system for treatment. The municipal water system is operated throughout the Township and produces water from 15 wells.

Oakland County International Airport is located in the northwest portion of the Township. The airport serves corporate, charter and private general aviation activity, in addition to providing US Customs Service activity for international flights. The airport has approximately 770 based aircraft and accommodates approximately 350,000 annual departures & arrivals, ranking it the second busiest airport in Michigan and the fifth busiest general aviation airport in the United States.

Grand Trunk Railroad traverses the Township from Southeast to Northwest. The railroad provides shipping access to several Township businesses.

The Township is a regional center for northwest Oakland County. Several major shopping centers serve both the Township and its surrounding area. Summit Place Mall is the largest complex with 1.2 million square feet of retail space.

Several major industries are located in the Township. The largest is General Motors parts Division which maintains a 1,300,000 square foot warehouse and distribution center. Rite Aide Drug Store's regional distribution center, serving six states, operates a quarter million square foot warehouse complex. Other industries within the Township include metal fabricating, screw machine

productions, and manufacturers of motor parts, electronic components, industrial computers, and precision measuring instruments. General Motors Truck and Bus, Pontiac Motors, and General Motors Buick, Oldsmobile Cadillac, (BOC) assembly plants are all located within minutes of the Township.

Commercial and Residential Development

2005 was another difficult year for the Township's commercial and retail businesses. The construction of newer retail outlets in surrounding communities and the continued growth of internet commerce have weakened the vitality of regional retail areas, such as the Telegraph/Elizabeth Lake Road area, creating a surplus of retail space as businesses relocate.

The pace of residential development within the Township continued to slow in 2005. The number of new single-family housing permits issued by the Township fell to 118, the sixth straight year of decline and down from a high of 523 permits in 1998. In addition to the overall health of the state's economy, future development will be limited by land availability as the Township approaches build-out and the outer rim of suburban development moves to the west and north.

The following table demonstrates building permit activity within the Township in recent years:

Building Permits

<u>Calendar Year</u>	<u>Single Family Homes</u>	<u>Condominium Units</u>	<u>New Commercial</u>	<u>Total Permits</u>
2005	118	12	25	833
2004	130	104	13	974
2003	131	44	15	908
2002	139	94	19	1,097
2001	154	143	13	1,230
2000	189	71	13	1,252
1999	457	52	11	1,507
1998	523	21	17	1,736
1997	443	69	30	1,928
1996	488	84	18	1,677
1995	363	36	17	1,401
1994	400	82	11	1,571

Area Demographics

Oakland County is located in the southeast portion of Michigan's Lower Peninsula. The County has an area of 910 square miles, which includes 30 cities,

10 villages and 21 townships. Within the county are 5 rivers, 423 inland lakes, numerous small streams and rolling landscapes – all of which make the area attractive to homeowners and builders.

Oakland County private sector employment outperformed the nation, the state and all major labor market areas in the state in the last decade. Job growth during the past 10 to 15 years has been twice as fast as the state and more than twice as fast as the nation.

FINANCIAL INFORMATION

Internal and Budgetary Control

Township administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurances, that these objectives are met. The primary financial management control instrument of the Township is the annual budget. It is adopted each year by the Board of Trustees in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978, by December 15th for the subsequent year. The Township's fiscal year is January through December. Budget preparation begins in June of each year with the Office of Fiscal & Human Resources presenting the Township Supervisor with a revenue estimate for the upcoming fiscal year. Based on this estimate, the Supervisor provides direction and spending targets to individual departments. The Supervisor then proposes a budget for the Board to debate and pass. The Board approves appropriations on the departmental basis, which becomes the legal level of control. An encumbrance system is in place to ensure that this control is not violated. All amendments to this budget must be approved by the Board throughout the fiscal year. Amounts appropriated, but not spent by the end of the fiscal year must be re-appropriated by the Board for the subsequent fiscal year.

All internal control evaluations occur within the above framework. We believe that the Township's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial information for both internal and external reporting purposes.

Cash Management

The Township's investment policy includes the legal requirements for municipalities covered under Michigan Public Act No. 20 of 1943, as amended.

We maximize the use of funds and ultimately try to increase the return on our dollars while minimizing risk. Investments are placed with institutions that are approved by the Township Board and deemed to provide minimal risk to Township assets. Our investment portfolio currently consists of money market funds, certificates of deposit, U.S. Treasury and other obligations of the U.S. and authorized pooled funds, in compliance with the Township's investment policy and Public Act 20, as amended.

Risk Management

The Charter Township of Waterford is a member of the Michigan Municipal Risk Management Authority (MMRMA). The MMRMA is a self-insured association with a membership of approximately 365 Michigan local governmental units. It provides risk management, claims administration, legal defense, and reinsurance services for its members. As a member, Waterford Township has liability coverage of up to \$15,000,000 per occurrence. Our self-insured retention is \$75,000 per occurrence. We are actively involved in risk control through supervisory and employee training, facilities inspections, and utilization of the MMRMA Risk Control Staff.

Waterford Township is also self-insured for workers' compensation coverage. The Township has retained the service of Comprehensive Risk Services (CRS) as a third-party administrator to monitor and pay workers' compensation claims on its behalf. The Township, in cooperation with CRS, aggressively manages claims and works to reduce on-the-job injuries through safety training, inspections and an employee safety committee.

Component Units

Included in the financial statements are three discretely presented component units: Economic Development Corporation (EDC); Waterford Youth Assistance Corporation (WYA); and Veteran's Memorial Fund (VMD). Although considered separate legal entities, they are part of the Township's operations and the Township is considered to be financially accountable for them.

Independent Audit

As required by State of Michigan law, the Charter Township of Waterford's accounts and financial statements have been independently audited by the accounting firm Plante & Moran, PLLC. The goal of the audit is to obtain a reasonable assurance that the financial statements contained within are free of material misstatement and accurately reflect the financial position of the Township. The auditor's report is presented as the first component of the financial section of this report.

In addition, Plante & Moran conducted the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. These reports are available in the Single Audit section of the CAFR.

While the independent auditor has expressed an unqualified opinion of the financial statements contained in this report, management takes sole responsibility for the contents of the CAFR. To the best of its knowledge, staff believes the CAFR information is accurate in all material respects.

AWARDS AND RECOGNITIONS


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charter Township of Waterford for its comprehensive annual financial report for the fiscal year ended December 31, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This CAFR reflects the work and commitment of the staff members of the Clerk's Office, Treasurer's Office and the Office of Fiscal & Human Resources. This document could not have been accomplished without their efforts and each contributor deserves sincere appreciation. Management would also like to express its appreciation to Plante & Moran, the Township's independent auditors, who assisted and contributed to the preparation of this Comprehensive Financial Report.

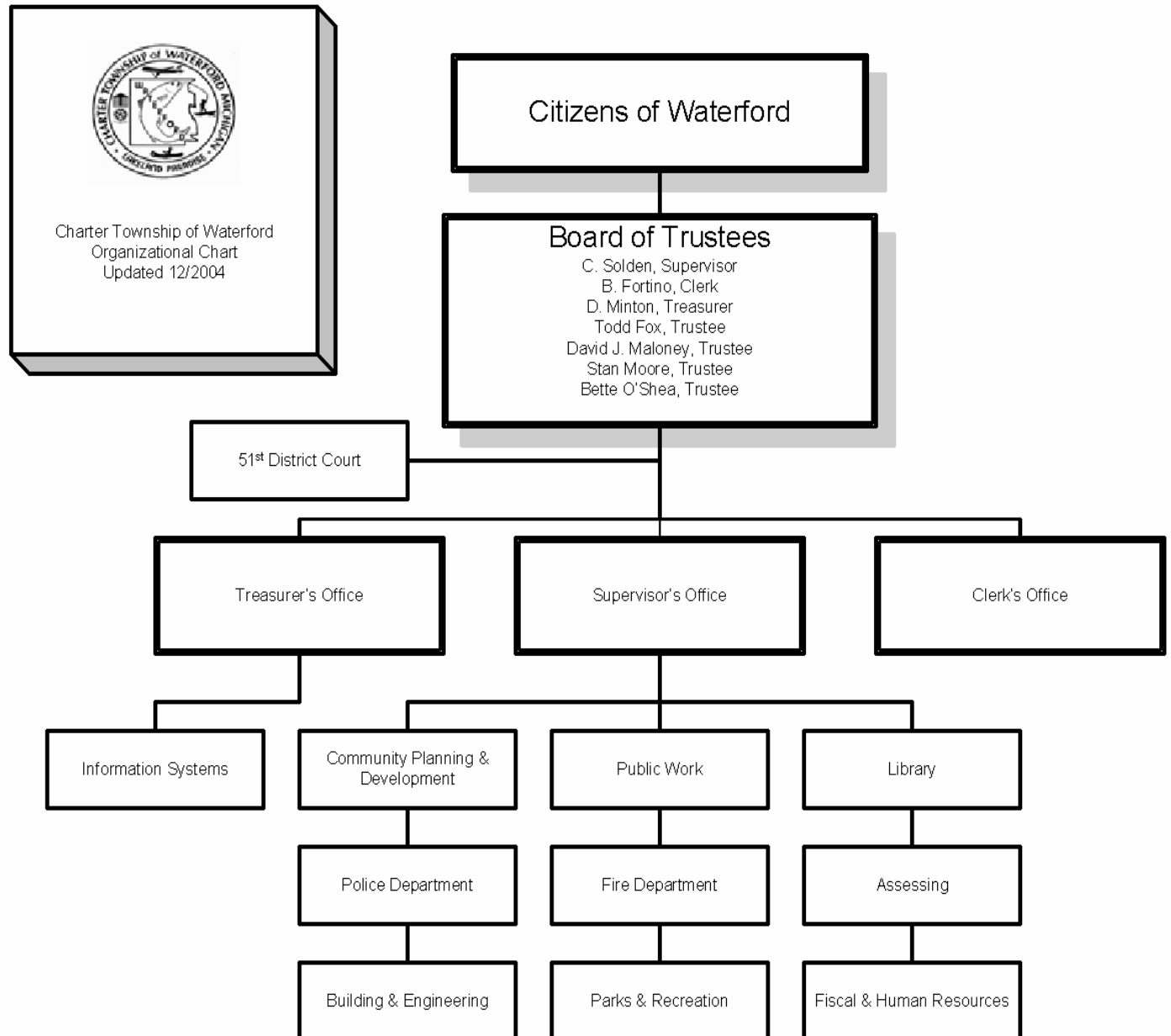
Respectfully submitted,


Carl W. Solden
Township Supervisor


Betty J. Fortino
Township Clerk

Charter Township of Waterford

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Charter Township of Waterford, Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Charter Township of Waterford

List of Principal Officers Year Ended December 31, 2005

Supervisor's Office

Supervisor	Carl W. Solden
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Clerk's Office

Clerk	Betty J. Fortino
Deputy Clerk	Karen S. Macintosh

Treasurer's Office

Treasurer	Dee A. Minton
Deputy Treasurer	Sandy J. Pulk

Assessing

Chief Assessor	Don E. Wood
Deputy Assessor	Larry J. Elliott

Building and Engineering

Director	Douglas Bradley
Assistant Director Building	Bernt A. Gibson
Assistant Director Engineering	Robert A. Merinsky

Community Planning and Development

Director	Robert W. Vallina
Planning Division Head	Larry R. Lockwood

Fire

Chief	Dennis K. Storrs
Deputy Chief	Richard M. Mielke

Fiscal and Human Resources

Director	Robert J. Seeterlin
Assistant Director	William S. Smith

Information Systems

Director	Jared W. Black
----------	----------------

Library

Director	Joan M. Rogers
Assistant Library Director	Mary K. Rice

Parks and Recreation

Director	Thomas G. Newcombe
----------	--------------------

Police

Chief	John B. Dean
Deputy Chief	Dale D. Lacroix
Deputy Chief	Daniel T. Mccaw

Public Works

Director	Terry E. Biederman
Water and Sewer Superintendent	Jerry T. Coburn
Administrative Superintendent	Derek Diederich
Facilities and Operations Superintendent	David M. Papke
Engineering Superintendent	William A. Fritz

Charter Township of Waterford

Labor Agreements Year Ended December 31, 2005

Bargaining Unit	Expiration Date	Number of Employees
Michigan Association of Police - Represents police officers and crime scene investigators	12/31/2007	55
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2003	21
International Association of Firefighters - Represents all firefighting personnel	12/31/2006	63
Michigan Association of Police - Represents dispatchers	12/31/2003	13
Teamsters State, County, and Municipal Workers - Represents clerical, public works employees, building inspectors, and ordinance officers	12/31/2003	148(1)

(1) Includes part-time employees in the library and parks and recreation

Charter Township of Waterford

Fund Organization Chart Year Ended December 31, 2005

Fund Name	Fund Number
General Fund	101
Special Revenue Funds	
Fire	206
Police	207
Police Restricted Use	208
Cemetery Care	209
Workers' Compensation	215
Health Benefits	225
Improvement Revolving	246
Bike Path	247
Cable Commission	250
Community Development Block Grant	261-263
Library	270
Library Donations	271
Nature Center	718
Weed Control	844-883
Debt Service Funds	
Debt Service	301
Capital Projects Funds	
Police and Fire Building	406
S.A.D. Road Paving	813
Enterprise Funds	
Water and Sewer	590
Internal Service Funds	
Motor Pool	360
Trust and Agency Funds	
Tax Collection	703
Regular Employee Pension	731
Police and Fire Pension	732
Other Agency	701-752



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Independent Auditor's Report

To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Waterford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A member of



A worldwide association of independent accounting firms



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To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Waterford, Michigan's basic financial statements. The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems schedule of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2006 on our consideration of the Charter Township of Waterford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

May 26, 2006

Charter Township of Waterford

Management's Discussion and Analysis

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2005.

- State-shared revenue, despite dramatic cuts over the past five years, remains our second largest revenue source. During the Township's 2005 fiscal year, state-shared revenue did increase slightly by approximately \$52,000 above the 2004 amount. This increase is less than 1 percent and when adjusted for inflation, the result is an actual decline in value.
- On the positive side, property tax revenues in 2005 were approximately \$1.4 million (6.0 percent) higher than the prior year. This increase was primarily due to new development and sales of homes that were previously under the Proposal A taxable value cap. There was also a modest millage rate increase in the Police and General Funds.
- Total 2005 General Fund revenues were approximately \$180,000 below 2004 revenues. Declining revenue sources include fees and fines (down \$366,000) and other revenue (down \$693,000). Fees and fines were down due to less police activity resulting from staffing cuts. Other revenue was down due to 2004 realizing two one-time-only revenues from the sale of surplus property (\$240,000) and a large rebate from Blue Cross (\$252,000).
- The Township continues to reduce staff in order to offset revenue losses and cost increases. Operations are being downsized through attrition. During 2005, 15 budgeted positions were eliminated by layoff or when employees either retired or resigned. Total full-time staffing between 2003 and 2005 has been reduced by 32 positions.
- Reduced staffing in the police department has resulted in reduced costs. The Police Fund fund balance increased significantly (nearly \$460,000) in 2005. This savings in expenditures, however, was offset by the reduced fees and fines revenue noted above.
- Health Insurance and Pension Costs leveled off in 2005. This was partially due to the reduction in staff. The Township implemented lower cost health insurance plans for non-union employees effective August 2005. The new base plan includes deductibles and co-pays. This same base plan was implemented with police patrol officers and dispatchers in December 2005.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (see page 11) and the statement of activities (see pages 12 and 13) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current assets	\$ 38.9	\$ 44.3	\$ 24.0	\$ 22.4	\$ 62.9	\$ 66.7
Noncurrent assets	62.4	61.3	77.5	79.2	139.9	140.5
Total assets	101.3	105.6	101.5	101.6	202.8	207.2
Liabilities						
Current liabilities	29.1	30.5	2.1	2.7	31.2	33.2
Long-term liabilities	13.2	14.3	4.7	4.5	17.9	18.8
Total liabilities	42.3	44.8	6.8	7.2	49.1	52.0
Net Assets						
Invested in capital assets -						
Net of related debt	46.8	46.0	72.9	71.9	119.7	117.9
Restricted	3.2	4.3	-	-	3.2	4.3
Unrestricted	9.0	10.5	21.8	22.4	30.8	33.0
Total net assets	<u>\$ 59.0</u>	<u>\$ 60.8</u>	<u>\$ 94.7</u>	<u>\$ 94.4</u>	<u>\$ 153.7</u>	<u>\$ 155.2</u>

The Township's combined net assets increased approximately \$1.5 million (approximately 1.0 percent) from the prior year. The governmental activities portion of net assets increased approximately \$1,800,000 (3.05 percent) from the prior year. Increased assets within the governmental activities are due primarily to an increase in cash associated with bond proceeds in the Improvement and Revolving Fund and a \$675,000 state grant for the newly established Nature Center Fund.

Long-term liabilities in the governmental activities increased slightly in 2005. The Township sold \$2 million in bonds to fund capital improvement projects including major repairs of the Township Hall, District Court, and Parks and Recreation facilities. The Township continues to reduce debt associated with the 1998-99 Police and Fire Building Construction and 2004 Water and Sewer System rehabilitation projects.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Overall, Township debt remains low. The Township utilizes just 4.84 percent of the allowable debt.

The following table shows the Township's major revenue and expenditures as a whole, for both the governmental and business-type activities (in millions of dollars). The bottom of the table shows the changes in net assets during the current year in comparison to the prior year.

The current year to prior year change in net assets shows only slight variations in the dollar amounts. The most significant change from 2004 to 2005 was a shift of revenue from cable franchise fees up into operating grants and contributions. On the expense side, expenditures associated with cable franchise fees were moved from general government to recreation and leisure. This was done to comply with a Government Finance Officers Association (GFOA) directive on allocating revenues and expenditures.

In 2005 the township was able to switch from a negative financial position, where expenses exceeded revenues to a positive position. This was accomplished through reductions in staffing and changes in employee health benefits. The changes in employee benefits came as groups accepted lower cost health plans in return for wage increases.

Summary Condensed Income Statement (presented in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenue						
Program revenue:						
Charges for services	\$ 7.8	\$ 7.7	\$ 12.4	\$ 13.0	\$ 20.2	\$ 20.7
Operating grants and contributions	0.9	2.7	-	-	0.9	2.7
Capital grants and contributions	-	-	1.1	1.9	1.1	1.9
General revenue:						
Property taxes	23.3	24.8	-	-	23.3	24.8
State-shared revenue	6.1	6.1	-	-	6.1	6.1
Unrestricted investment earnings	0.4	1.0	0.6	0.6	1.1	1.6
Cable franchise fees	0.7	-	0.1	-	0.7	-
Miscellaneous	0.2	0.1	-	-	0.2	0.1
Total revenue	39.4	42.4	14.2	15.5	53.6	57.9
Program Expenses						
General government	7.4	5.5	-	-	7.4	5.5
Public safety:						
Police	14.5	14.0	-	-	14.5	14.0
Fire	8.6	9.1	-	-	8.6	9.1
Public works	0.6	0.6	-	-	0.6	0.6
Building inspection	1.5	1.5	-	-	1.5	1.5
District court	2.4	2.3	-	-	2.4	2.3
Community and economic development	1.9	1.9	-	-	1.9	2.0
Recreation and culture	4.3	5.0	-	-	4.3	5.0
Interest on long-term debt	0.7	0.6	-	-	0.7	0.6
Water and sewer	-	-	15.5	15.9	15.5	15.9
Transfers	-	0.1	-	(0.1)	-	-
Total program expenses	41.9	40.6	15.5	15.8	57.4	56.3
Change in Net Assets	\$ (2.5)	\$ 1.8	\$ (1.3)	\$ (0.3)	\$ (3.8)	\$ 1.5

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's governmental revenues totaled approximately \$42,400,000, with the greatest revenue source being property taxes. Property taxes make up approximately 58.5 percent of total governmental revenue. That percentage is down from approximately 59.2 percent of total governmental revenue in 2004. In 2005, a one-time revenue associated with a \$675,000 state grant for the Nature Center is reflected in the higher operating grants and contribution figure.

Although the Township relies heavily on property tax revenues, the Township still maintains a relatively low millage rate compared to similar-sized communities. The Township's ratio of property tax dollars collected per resident (\$351.25 in 2005) is the lowest of the top 10 population sized communities in Oakland County.

Total governmental expenses for the Township were approximately \$40,600,000. This is down by \$1.3 million from 2004. As in most municipalities, labor cost makes up the greatest portion of the budget. A total of 32 positions have been eliminated between 2003 and 2005. The Township also elected not to fill four positions, three police and one in planning, that were vacated through retirement or resignation.

Contracts with all five labor unions expired at the 2003 year end. The four public safety unions have all petitioned the State for Public Act 312 binding arbitration. Hearings were being conducted at the end of the 2005 fiscal year. The Teamsters bargaining unit filed for fact finding with the state. Hearings were conducted in December 2005 and nonunion management, administrative employees, and the court employee received a 3 percent 2005 increase. Elected officials have not received a wage increase since January 2003.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. The Township provides water through a Township owned and operated ground water system. Sewage treatment is provided to customers through Oakland County as a customer of the Detroit Water and Sewer System.

System revenues are primarily from fees paid by customers based on use. User fees make up approximately 83.9 percent of all revenues.

The business-type activities expenditures totaled approximately \$15,800,000 in 2005. Slightly more than \$5 million is collected from customers and paid to Oakland County and the City of Detroit for sewage treatment and disposal. As in the governmental activities, a large portion of the expenditures is labor related. In 2005, the Water and Sewer Fund had 53.5 full-time employees.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Township's Funds

An analysis of the Township's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board created funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental funds for 2005 include the General Fund, Police Fund, Fire Fund, and the Improvement Revolving Fund. The Township's major business-type funds consist of the Water and Sewer Fund.

General Fund

The General Fund pays for most of the Township's governmental services. The two largest services funded by the General Fund are police and fire. The General Fund transferred \$6,690,000 to the Police Fund and \$2,350,878 to the Fire Fund.

Other major activities in the General Fund include the 51st District Court, the parks and recreation department, and all general government administrative and central services operations. Some of these activities rely on fees for services to help offset costs and some do not generate any significant service-related revenue. Many of these activities rely heavily on property taxes and state-shared revenue to subsidize their operations.

In 2005, the General Fund fund balance increased by approximately \$538,000. This is the second year in a row where the fund balance increased and turned around a three-year decline whereby the fund balance went from \$5,200,000 to just over \$760,000 at December 31, 2003. As mentioned above, over the past five years, the Township took significant measures to address this declining fund balance, including the elimination of positions.

The Township's General Fund's year end fund balance is approximately \$1,885,000. This amount represents approximately 8.87 percent of 2005's annual expenditures and net transfers to other funds. This level of fund balance is below the recommended level of between 10 percent and 15 percent of annual expenditures.

Police Fund

The Police Fund covers the operation of the police department. Major revenues include \$6,690,000 from the Township's General Fund and an additional approximate \$6,690,000 in special millage revenue. The department receives a small amount of its revenue from fees, grants, and interest on investments.

Over fiscal year 2005, the Police Fund fund balance increased by approximately \$460,000. This increase was due primarily to the reduction of staff and not backfilling positions as employees retired. The Police Fund also benefited greatly from increased interest income associated with higher interest rates.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2005, the department received approximately \$2,351,000 from the General Fund and approximately \$5,625,000 from special millages.

The Fire Fund fund balance was reduced by approximately \$109,000. All of this is attributable to the allocation of retroactive pay for 2005 wages. The Township budgeted for employee retroactive pay increases in 2006, when the payments were expected to be made. Generally accepted accounting principles indicate that retroactive pay be allocated to the year the wages were earned. The end result was a decline in the 2005 fund balance.

Improvement Revolving Fund

The Improvement Revolving Fund shows a healthy fund balance. The Township is using the fund for needed capital improvements in the Township. The Township borrowed \$2 million in 2005 to fund major capital repairs and improvements by issuing bonds. Projects are underway and the remaining proceeds from the bonds are scheduled to be spent in 2006.

This fund is also used to fund special assessment capital improvements. The Improvement Revolving Fund provides loans to special assessment districts as an alternative to issuing bonds. This allows the resident of the district to pay favorable interest rates and save on financing costs associated with a bond sale. The Township benefits from earning a higher rate of interest than what typical municipal investments earn.

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a healthy amount of working capital. Because revenues are derived from user fees and fees are adjusted periodically to cover expenses, the fund is relatively secure. Unlike the governmental activities of the Township, the Water and Sewer Fund does not rely on tax dollars and state aid for its financial well-being.

Sewer rates have remained low, with only the cost of fee increases imposed by Oakland County and the City of Detroit being passed on to customers.

Increasing labor costs, higher standards being placed on the system by both the federal and state governments, and the need to repair and maintain an aging system requires the Township to continually monitor revenues and expenditures to ensure revenues remain at an adequate level to support the required expenditures of the systems.

General Fund Budgetary Highlights

The Township's General Fund began 2005 in a downsizing mode. Staff reduction through layoffs were implemented in order to balance expenditures against a declining revenue base.

General Fund actual revenues for 2005 were \$182,000 below 2004 figures. General Fund budgeted expenditures in 2005 were approximately \$381,000 below 2004 figures.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Development-related revenues, including fees from site plans and new subdivisions, increased over 2004 numbers. Unfortunately, toward the end of the year, development slowed as the state and local economy faltered.

District Court revenues declined approximately \$366,000 from 2004. This is a result of lower police traffic enforcement activity due to staff reductions.

Capital Asset and Debt Administration

The Township issued a \$2 million capital improvement bond in 2005. The Township paid off \$605,000 on principal long-term debt. The Township maintains a very low amount of debt. The majority of the debt issued is authorized by a vote of the people and supported by a dedicated debt retirement millage.

Economic Factors

There are several economic factors that challenge the Township. These items include revenue sharing, health insurance, pension cost, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment and Proposal A, which passed in 1993, both limit property tax increases to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation. Proposal A limits increases in individual property tax assessments to the rate of inflation.

Because labor costs and demands for new service drive cost at a rate higher than the inflation rate, it has forced local governments to rely on new property tax growth or voter-approved tax increases to keep pace with costs.

The Township has been fortunate that the voters have approved renewals of all existing special millages over the past 30 years. Voters also approved a 0.63 millage increase for emergency medical services in 2002. This allowed the fire department to keep up with the increasing demand for services.

The Township has experienced modest new growth over the past decade. This has resulted in some new taxable property values. Growth in the Township has slowed recently as the availability of vacant land has diminished. Most future growth will be in the form of redevelopment. Because property taxes are the key source of Township revenue, efforts to promote redevelopment are crucial.

The Township must continue to provide a safe environment with high quality of life services in order to maintain a healthy tax base. The dynamics of Proposal A allow taxable property values to increase back to 50 percent of assessed value once a home is sold. An attractive housing market and new construction growth will help the Township to overcome some of the restrictions of Proposal A and the 1978 Headlee Amendment.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Township will soon be forced to recognize the cost of retiree health care and other non-pension postretirement benefits over the working life of the employee, rather than at the time the health care premiums are paid. A new Governmental Accounting Standards Board requirement (GASB 45) will require the Township to calculate and report an actuarial determined annual liability for providing postretirement benefits other than pension in the future. A strategy will need to be developed to properly recognize and fund the financial burden of commitments made to current and future retirees.

Contacting the Township's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Office of Fiscal and Human Resources at (248) 674-6252.

Charter Township of Waterford

Statement of Net Assets December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 25,748,958	\$ 17,090,396	\$ 42,839,354	\$ 226,191
Restricted assets (Note 1)	1,814,429	-	1,814,429	-
Receivables:				
Taxes	14,720,334	-	14,720,334	-
Customers	-	4,431,419	4,431,419	-
Special assessments	655,900	2,625,537	3,281,437	-
Accrued interest	28,872	191,576	220,448	-
Due from other governmental units	2,427,262	-	2,427,262	4,682
Rehabilitation revolving	1,391,099	-	1,391,099	-
Other	323,723	2,800	326,523	-
Internal balances (Note 5)	(733,823)	733,823	-	-
Capital assets - Net (Note 4):				
Nondepreciable capital assets	26,796,559	3,791,647	30,588,206	-
Depreciable capital assets - Net	32,412,068	72,780,983	105,193,051	-
Total assets	105,585,381	101,648,181	207,233,562	230,873
Liabilities				
Accounts payable	552,602	2,260,178	2,812,780	2,630
Accrued and other liabilities	984,323	189,787	1,174,110	369
Due to other governmental units	4,682	-	4,682	-
Unearned revenue (Note 6)	25,913,527	-	25,913,527	-
Noncurrent liabilities (Note 7):				
Due within one year	3,043,520	350,061	3,393,581	-
Due in more than one year	14,255,906	4,485,000	18,740,906	-
Total liabilities	44,754,560	7,285,026	52,039,586	2,999
Net Assets				
Invested in capital assets -				
Net of related debt	46,013,056	71,907,630	117,920,686	-
Restricted for:				
Police restricted use	567,117	-	567,117	-
Weed control	38,647	-	38,647	-
Library and library donations	600,316	-	600,316	-
Bike path	201,918	-	201,918	-
Community Development Block Grant	89,738	-	89,738	-
Nature Center	624,652	-	624,652	-
Rehabilitation revolving	1,391,099	-	1,391,099	-
Cemetery care	75,087	-	75,087	-
Debt service	286,406	-	286,406	-
Capital projects	396,736	-	396,736	-
Unrestricted	10,546,049	22,455,525	33,001,574	227,874
Total net assets	<u>\$ 60,830,821</u>	<u>\$ 94,363,155</u>	<u>\$ 155,193,976</u>	<u>\$ 227,874</u>

Charter Township of Waterford

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,466,726	\$ 2,457,109	\$ 208,069	\$ -
Public safety:				
Police	13,966,141	188,869	653,959	-
Fire	9,080,398	441,416	327,221	-
Public works	553,056	475,639	-	-
Building inspection	1,470,193	809,922	-	-
District court	2,317,176	2,064,928	-	-
Community and economic development	1,961,479	297,423	783,867	-
Recreation and culture	4,981,226	936,919	769,128	-
Interest on long-term debt	629,171	-	-	-
Total governmental activities	40,425,566	7,672,225	2,742,244	-
Business-type activities - Water and sewer	15,879,285	13,000,673	-	1,838,130
Total primary government	<u>\$ 56,304,851</u>	<u>\$ 20,672,898</u>	<u>\$ 2,742,244</u>	<u>\$ 1,838,130</u>
Component units:				
Economic Development Corporation	\$ 27,197	\$ 55,000	\$ -	\$ -
Youth Assistance Corporation	64,990	10,179	57,210	-
Veteran's Memorial	16,052	9,156	-	-
Total component units	<u>\$ 108,239</u>	<u>\$ 74,335</u>	<u>\$ 57,210</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues (unrestricted)				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year (as restated in Note 1)				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,801,548)	\$ -	\$ (2,801,548)	\$ -
(13,123,313)	-	(13,123,313)	-
(8,311,761)	-	(8,311,761)	-
(77,417)	-	(77,417)	-
(660,271)	-	(660,271)	-
(252,248)	-	(252,248)	-
(880,189)	-	(880,189)	-
(3,275,179)	-	(3,275,179)	-
(629,171)	-	(629,171)	-
(30,011,097)	-	(30,011,097)	-
-	(1,040,482)	(1,040,482)	-
(30,011,097)	(1,040,482)	(31,051,579)	-
-	-	-	27,803
-	-	-	2,399
-	-	-	(6,896)
-	-	-	23,306
24,789,201	-	24,789,201	-
6,070,330	-	6,070,330	-
955,972	589,824	1,545,796	4,689
107,725	-	107,725	-
(123,517)	123,517	-	-
31,799,711	713,341	32,513,052	4,689
1,788,614	(327,141)	1,461,473	27,995
59,042,207	94,690,296	153,732,503	199,879
\$ 60,830,821	\$ 94,363,155	\$ 155,193,976	\$ 227,874

Charter Township of Waterford

Governmental Funds Balance Sheet December 31, 2005

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police	Fire	Improvement Revolving		
Assets						
Cash and investments	\$ 6,727,857	\$ 3,952,055	\$ 3,090,762	\$ 2,045,495	\$ 9,662,377	\$ 25,478,546
Restricted assets (Note 1)	-	-	-	1,814,429	-	1,814,429
Receivables:						
Taxes	5,498,914	3,989,582	3,354,475	-	1,877,363	14,720,334
Special assessments	208,410	-	-	362,607	84,883	655,900
Accrued interest	28,872	-	-	-	-	28,872
Due from other governmental units	1,066,135	-	-	175,309	169,015	1,410,459
Other	182,427	21,374	-	-	119,922	323,723
Due from other funds (Note 5)	220,673	8,318	-	239,826	957,809	1,426,626
Total assets	\$ 13,933,288	\$ 7,971,329	\$ 6,445,237	\$ 4,637,666	\$ 12,871,369	\$ 45,858,889
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 225,154	\$ 82,376	\$ 59,711	\$ 111,871	\$ 73,490	\$ 552,602
Accrued and other liabilities	166,561	393,497	262,722	-	51,870	874,650
Due to other funds (Note 5)	1,639,445	82,050	32,723	-	406,231	2,160,449
Due to other governmental units	4,682	-	-	-	-	4,682
Deferred revenue (Note 6)	10,012,141	6,910,087	5,810,214	362,607	3,734,347	26,829,396
Total liabilities	12,047,983	7,468,010	6,165,370	474,478	4,265,938	30,421,779
Fund Balances						
Reserved for drug enforcement	-	-	-	-	567,117	567,117
Reserved for capital improvement	-	-	-	1,814,429	-	1,814,429
Unreserved:						
Designated for subsequent year's expenditures -						
Reported in:						
General Fund	304,394	-	-	-	-	304,394
Special Revenue Funds	-	598	136,792	531,000	126,627	795,017
Undesignated - Reported in:						
General Fund	1,580,911	-	-	-	-	1,580,911
Special Revenue Funds	-	502,721	143,075	1,817,759	7,228,545	9,692,100
Debt Service Funds	-	-	-	-	286,406	286,406
Capital Projects Funds	-	-	-	-	396,736	396,736
Total fund balances	1,885,305	503,319	279,867	4,163,188	8,605,431	15,437,110
Total liabilities and fund balances	\$ 13,933,288	\$ 7,971,329	\$ 6,445,237	\$ 4,637,666	\$ 12,871,369	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						58,346,815
Receivables are expected to be collected over several years, and are not available to pay for current year expenditures						1,932,672
Rehabilitation revolving receivable is expected to be collected over several years and is not available to pay for current year expenditures						1,391,099
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:						
Bonds payable						(14,285,000)
General liability claims						(337,205)
Workers' compensation claims						(439,609)
Compensated absences						(1,512,612)
Accrued interest is not recorded in the funds						(106,262)
Internal Service Funds are included as part of governmental activities						403,813
Net assets of governmental activities						\$ 60,830,821

Charter Township of Waterford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police	Fire	Improvement Revolving		
Revenue						
Property taxes	\$ 9,142,102	\$ 6,689,777	\$ 5,624,857	\$ -	\$ 3,129,840	\$ 24,586,576
Licenses and permits	1,281,214	35,501	-	-	-	1,316,715
Special assessments	412,438	-	-	-	63,201	475,639
Intergovernmental revenue:						
State sources	6,319,173	112,535	-	208,069	738,781	7,378,558
Federal sources	-	28,046	-	-	751,406	779,452
Charges for services	1,832,164	79,021	312,691	-	57,887	2,281,763
Fines and fees	2,270,494	56,041	-	-	132,549	2,459,084
Interest	309,590	142,141	102,127	102,717	287,079	943,654
Miscellaneous revenue	218,022	47,473	176,286	148,052	778,069	1,367,902
Total revenue	21,785,197	7,190,535	6,215,961	458,838	5,938,812	41,589,343
Expenditures						
General government	4,967,230	-	-	-	149,013	5,116,243
Public safety:						
Police	69,194	13,398,953	-	-	148,118	13,616,265
Fire	-	-	8,611,094	-	-	8,611,094
Public works	-	-	-	-	8,985	8,985
Building inspection	1,298,028	-	-	-	-	1,298,028
District court	2,375,216	-	-	-	-	2,375,216
Community and economic development	1,234,709	-	-	-	961,325	2,196,034
Recreation and culture	1,981,335	-	-	-	2,092,363	4,073,698
Capital expenditures	55,899	21,913	64,531	577,158	323,083	1,042,584
Debt service	96,090	-	-	5,653	1,096,043	1,197,786
Other	-	-	-	82,891	-	82,891
Total expenditures	12,077,701	13,420,866	8,675,625	665,702	4,778,930	39,618,824
Excess of Revenue Over (Under) Expenditures	9,707,496	(6,230,331)	(2,459,664)	(206,864)	1,159,882	1,970,519
Other Financing Sources (Uses)						
Proceeds from the issuance of long-term debt	-	-	-	2,000,000	-	2,000,000
Transfers in (Note 5)	-	6,690,000	2,350,878	-	5,000	9,045,878
Transfers out (Note 5)	(9,169,395)	-	-	-	-	(9,169,395)
Total other financing sources (uses)	(9,169,395)	6,690,000	2,350,878	2,000,000	5,000	1,876,483
Net Change in Fund Balances	538,101	459,669	(108,786)	1,793,136	1,164,882	3,847,002
Fund Balances - Beginning of year	1,347,204	43,650	388,653	2,370,052	7,440,549	11,590,108
Fund Balances - End of year	\$ 1,885,305	\$ 503,319	\$ 279,867	\$ 4,163,188	\$ 8,605,431	\$ 15,437,110

Charter Township of Waterford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 3,847,002

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets	1,425,296
Governmental funds allocate the cost of capital assets over their estimated useful lives as depreciation	(2,592,520)
Proceeds from the sale of capital assets reported as revenue in the governmental funds; the statement of activities records a gain or loss, included in general government expense	(111,094)
Certain revenues reported in the statement of activities in previous years did not provide current financial resources in the governmental funds until the current year	140,465
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	605,000
Bond proceeds are not reported as other financing sources on the statement of activities	(2,000,000)
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the fund	237,505
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	63,981
Internal Service Funds are also included as governmental activities	<u>172,979</u>

Change in Net Assets of Governmental Activities \$ 1,788,614

Charter Township of Waterford

Proprietary Funds Statement of Net Assets December 31, 2005

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Pool Fund
Assets		
Current assets:		
Cash and investments	\$ 17,090,396	\$ 270,412
Receivables:		
Customers	4,431,419	-
Special assessments	2,625,537	-
Accrued interest receivable	191,576	-
Other	2,800	-
Due from other funds	1,204,262	-
Total current assets	25,545,990	270,412
Noncurrent assets:		
Nondepreciable capital assets	3,791,647	-
Depreciable capital assets	72,780,983	861,812
Total noncurrent assets	76,572,630	861,812
Total assets	102,118,620	1,132,224
Liabilities		
Current liabilities:		
Accounts payable	2,260,178	-
Accrued and other liabilities	189,787	3,411
Due to other funds	470,439	-
Current portion of long-term debt	-	330,000
Total current liabilities	2,920,404	333,411
Noncurrent liabilities:		
Accumulated employee benefits	350,061	-
Long-term debt - Net of current portion	4,485,000	395,000
Total noncurrent liabilities	4,835,061	395,000
Total liabilities	7,755,465	728,411
Net Assets		
Investment in capital assets - Net of related debt	72,087,630	136,812
Unrestricted	22,275,525	267,001
Total net assets	<u>\$ 94,363,155</u>	<u>\$ 403,813</u>

Charter Township of Waterford

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Pool Fund
Operating Revenue		
Water usage billings	\$ 4,063,895	\$ -
Sewage disposal charges	8,740,176	-
Hydrant rental	1,162	-
Meter charges	46,150	-
Charges for services	157,204	346,405
State sources	84,496	-
Total operating revenue	13,093,083	346,405
Operating Expenses		
Cost of water	1,919,760	-
Cost of sewage disposal	5,306,515	-
Operation and maintenance	907,518	-
General and administrative	4,427,857	1,809
Depreciation	3,151,550	146,901
Other services and charges	-	-
Total operating expenses	15,713,200	148,710
Operating Income (Loss)	(2,620,117)	197,695
Nonoperating Income (Expense)		
Interest expense	(173,999)	(32,776)
Interest income	589,824	8,060
Total nonoperating income (expense)	415,825	(24,716)
Income (Loss) - Before capital contributions and transfers	(2,204,292)	172,979
Capital Contributions		
Donated from developers	811,844	-
Tap-in fees, system burden fees, and other	941,790	-
Total capital contributions	1,753,634	-
Income (Loss) - Before transfers	(450,658)	172,979
Transfers In	123,517	-
Change in Net Assets	(327,141)	172,979
Net Assets - Beginning of year	94,690,296	230,834
Net Assets - End of year	<u>\$ 94,363,155</u>	<u>\$ 403,813</u>

Charter Township of Waterford

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2005

	Enterprise Fund - Water and Sewer	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 13,073,906	\$ 346,405
Payments to suppliers	(8,005,702)	(1,809)
Payments to employees	(3,915,500)	-
Other receipts (payments)	352,876	(2,910)
Net cash provided by operating activities	1,505,580	341,686
Cash Flows from Noncapital Financing Activities - Transfers in from other funds	123,517	-
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	469,064	-
Contributions from customers	941,790	-
Proceeds from the issuance of long-term debt	-	220,000
Purchase of capital assets	(4,456,548)	(218,541)
Principal and interest paid on capital debt	(343,999)	(292,776)
Net cash used in capital and related financing activities	(3,389,693)	(291,317)
Cash Flows from Investing Activities		
Interest received on investments	589,824	8,060
Purchase of investment securities	(5,457,474)	-
Proceeds from sale and maturities of investment securities	2,336,842	-
Net cash provided by (used in) investing activities	(2,530,808)	8,060
Net Increase (Decrease) in Cash and Cash Equivalents	(4,291,404)	58,429
Cash and Cash Equivalents - Beginning of year	7,790,486	211,983
Cash and Cash Equivalents - End of year	<u>\$ 3,499,082</u>	<u>\$ 270,412</u>
Statement of Net Assets Classification of Cash and Cash Equivalents		
Cash and investments	\$ 17,090,396	\$ 270,412
Less amounts classified as investments (Note 3)	(13,591,314)	-
Total cash and cash equivalents	<u>\$ 3,499,082</u>	<u>\$ 270,412</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ (2,620,117)	\$ 197,695
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	3,151,550	146,901
Changes in assets and liabilities:		
Receivables	(19,177)	-
Due from/to other funds	351,829	(4,182)
Accounts payable	570,961	-
Accrued and other liabilities	70,534	1,272
Net cash provided by operating activities	<u>\$ 1,505,580</u>	<u>\$ 341,686</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2005, developers constructed water and sewer lines with estimated values of \$811,844 and donated them to the Township's Enterprise Fund.

Charter Township of Waterford

Fiduciary Funds Statement of Net Assets December 31, 2005

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 139,373	\$ 3,081,361
Investments:		
U.S. government securities	9,711,794	-
Corporate bonds	4,733,754	-
Fixed income funds	1,583,123	-
Common stocks	50,623,604	-
Foreign stocks	1,221,262	-
Foreign bonds	299,384	-
Foreign equity funds	6,989,155	-
Mutual funds	13,056,246	-
Pension manager short-term funds	4,155,245	-
Investments held by broker-dealer and banks under securities lending:		
U.S. government securities	3,192,254	-
U.S. corporate fixed income	262,904	-
U.S. equities	6,510,559	-
Securities lending short-term collateral bank investment pools	10,239,596	-
Other receivables	190,382	-
Total assets	112,908,635	<u>\$ 3,081,361</u>
Liabilities		
Accounts payable	748,708	\$ -
Due to other governmental units	-	1,597,440
Bonds and other deposits	-	1,455,518
Accrued and other liabilities	-	28,403
Amounts due to broker under securities lending agreement	10,239,596	-
Total liabilities	10,988,304	<u>\$ 3,081,361</u>
Net Assets - Held in trust for pension		<u><u>\$ 101,920,331</u></u>

Charter Township of Waterford

Fiduciary Funds Statement of Changes in Net Assets Pension Trust Funds Year Ended December 31, 2005

Additions

Investment income:

Interest and dividends	\$ 1,635,462
Net increase in fair value of investments	4,899,996
Less investment expenses	<u>(206,739)</u>

Net investment income 6,328,719

Securities lending income:

Interest and fees	301,571
Less borrower rebates and bank fees	<u>(286,642)</u>

Net securities lending income 14,929

Contributions:

Employer	4,672,003
Employee	<u>777,391</u>

Total contributions 5,449,394

Total additions 11,793,042

Deductions

Benefit payments	4,929,590
Administrative expenses	<u>80,451</u>

Total deductions 5,010,041

Net Increase 6,783,001

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year 95,137,330

End of year \$ 101,920,331

Charter Township of Waterford

Component Units Statement of Net Assets December 31, 2005

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veteran's Memorial Fund	Total
Assets				
Cash and investments	\$ 153,544	\$ 39,029	\$ 33,618	\$ 226,191
Due from other governmental units	<u>3,929</u>	<u>753</u>	<u>-</u>	<u>4,682</u>
Total assets	157,473	39,782	33,618	230,873
Liabilities				
Accounts payable	-	2,630	-	2,630
Accrued liabilities	<u>369</u>	<u>-</u>	<u>-</u>	<u>369</u>
Total liabilities	<u>369</u>	<u>2,630</u>	<u>-</u>	<u>2,999</u>
Net Assets - Unrestricted	<u>\$ 157,104</u>	<u>\$ 37,152</u>	<u>\$ 33,618</u>	<u>\$ 227,874</u>

Charter Township of Waterford

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 27,197	\$ 55,000	\$ -	\$ -
Waterford Youth Assistance Corporation - Community and economic development	64,990	10,179	57,210	-
Veteran's Memorial Fund - General government	16,052	9,156	-	-
Total governmental activities	<u>\$ 108,239</u>	<u>\$ 74,335</u>	<u>\$ 57,210</u>	<u>\$ -</u>
General Revenue - Interest				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Component Units
Statement of Activities
Year Ended December 31, 2005**

Economic Development Corporation	Waterford Youth Assistance Corporation	Veteran's Memorial Fund	Total
\$ 27,803	\$ -	\$ -	\$ 27,803
-	2,399	-	2,399
-	-	(6,896)	(6,896)
27,803	2,399	(6,896)	23,306
3,690	999	-	4,689
31,493	3,398	(6,896)	27,995
125,611	33,754	40,514	199,879
<u>\$ 157,104</u>	<u>\$ 37,152</u>	<u>\$ 33,618</u>	<u>\$ 227,874</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Waterford, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The Township's administration operates under the overall direction of an elected supervisor. The accompanying financial statements present the Township and its component units. The component units are entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are a part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units - The Waterford Township Building Authority is governed by a board that is appointed by the Township. Although it is legally separate from the Township, it is reported as if it were part of the primary government, because its sole purpose is to finance and construct the Township's public buildings. The Building Authority Debt Service Fund has been blended into the General and Library Special Revenue Funds.

The Charter Township of Waterford's Police and Fire Retirement System and the Charter Township of Waterford's Regular Employees' Retirement System have been blended into the Township's financial statements. These systems are governed by a five-member pension board that includes the Township treasurer, two elected individuals chosen by the Township board, and two members of the retirement system that are elected by the members of the system. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of each system. The operations of the Police and Fire Retirement System and the Regular Employees' Retirement System are reported as Pension Trust Funds.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units - The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township. The component units do not issue separate financial statements.

- a. The Waterford Youth Assistance Corporation was created to mobilize community interest and forces toward youth and family adjustment and to aid in the prevention of juvenile delinquency and neglect. The Waterford Youth Assistance Corporation's governing body, which consists of four individuals, is selected by the General Citizens Council, which is appointed by the Township board.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Economic Development Corporation's governing body, which consists of 11 individuals, is selected by the supervisor and approved by the Township board.
- c. The Veteran's Memorial Fund was created for the sole purpose of building and maintaining a memorial to all veterans who have served honorably in the military service of the United States. The Veteran's Memorial Fund's governing body, which consists of five individuals, is selected by the supervisor and approved by the Township board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township (primary government) and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Police Fund accounts for the operations of the law enforcement activities of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.
- The Fire Fund accounts for the operations of the fire departments of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.
- The Improvement Revolving Fund provides accounting and budgeting for resources designated for Township building and equipment improvements and land acquisition. Funding is provided from the General Fund and the sale of capital assets.

The Township reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activity of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following activities in its Internal Service and fiduciary fund types:

- The Internal Service Fund is used to account for the financing of goods and services provided by one department to other departments of the Township on a cost reimbursement basis. The Township's Internal Service Fund - Motor Pool Fund has been established to account for costs associated with vehicles purchased by the Township and used by all departments within the Township.
- The Pension Trust Funds account for the activities of employee benefit plans that accumulate resources for pension payments to qualified employees and is reported as a fiduciary fund.
- The Agency Funds record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement or results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The Township's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Charter Township of Waterford totaled \$2.385 billion, on which ad valorem taxes levied consisted of 3.8280 mills for operating purposes, 2.8042 mills for the police, 2.3579 mills for the fire, .9173 mills for the library, and .4000 mills for debt on the public safety building. This resulted in \$9.13 million for operating purposes, \$6.69 million for the police, \$5.62 million for the fire, \$2.18 million for the library, and \$.95 million for debt on the public safety building. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

The delinquent real property taxes of the Township are purchased by Oakland County (the "County"). In approximately April or May, the County treasurer reimburses the local unit for delinquent real property taxes through the County revolving fund. If delinquent real taxes cannot be collected by the County, the local unit portion of the tax is invoiced or deducted from the monthly County settlement.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Restricted Assets - Restricted assets represent unspent bond proceeds to be used for capital improvement in the improvement revolving fund.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 for personal property, \$10,000 for infrastructure, \$50,000 for building and improvements, \$75,000 for intangible assets, and no threshold for land, land improvements, telecommunications equipment, and library books with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and improvements	15-40 years
Infrastructure	40 years
Lines and laterals	75 years
Machinery and office equipment, vehicles, and other	3-13 years
Library books	10 years

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy that employees earn sick and vacation pay benefits on their anniversary date and it must be used within one year. The government-wide and proprietary fund statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure.

Net Assets - Net assets in the governmental activities have been restated to correct prior year due from other governmental units.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since July 1, 2000 is as follows:

Cumulative shortfall - January 1, 2005		\$ (1,881,374)
Current year building permit revenue		744,799
Related expenses:		
Direct costs	\$ 819,109	
Estimated indirect costs	<u>-</u>	
Total construction code expenses		<u>819,109</u>
Cumulative shortfall - December 31, 2005		<u><u>\$ (1,955,684)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

The Township's pension trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated 11 banks for the deposit of its funds. The investment policy adopted by the board (for non-pension assets) in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$32,584,304 in bank deposits (certificates of deposit, checking and savings accounts). Of that amount, \$1,047,704 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10 Years and More
Primary Government					
U.S. government agencies and securities:					
Federal Home Loan Bank	\$ 5,340,000	\$ 3,750,000	\$ 1,590,000	\$ -	\$ -
Federal Home Loan Mortgage Corp.	1,000,000	1,000,000	-	-	-
Federal National Mortgage Association	200,000	-	200,000	-	-
Fiduciary Funds					
U.S. government agencies and securities:					
Federal Home Loan Mortgage Corp.	1,447,542	-	-	-	1,447,542
Federal National Mortgage Association	2,225,150	-	-	-	2,225,150
Government National Mortgage Association	5,738,765	-	-	-	5,738,765
T-Notes	9,905,974	682,344	5,322,077	3,901,553	-
T-Bills	154,729	154,729	-	-	-
T-Bonds	723,568	-	-	-	723,568
Collateralized mortgage obligations	45,469	-	-	-	45,469
Corporate bonds	4,380,383	-	2,020,429	1,310,491	372,100

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
Primary Government			
Sweep accounts	\$ 1,347,832	Aaa	Moody's
	1,777,616	Not Rated	N/A
U.S. government agencies and securities:			
Federal Home Loan Bank	5,340,000	AAA	S&P
Federal Home Loan Mortgage Corp.	1,000,000	AAA	S&P
Federal National Mortgage Association	200,000	AAA	S&P
Fiduciary Funds			
U.S. government agencies and securities:			
Federal Home Loan Mortgage Corp.	1,447,542	Not Rated	N/A
Federal National Mortgage Association	2,225,150	Not Rated	N/A
Collateralized mortgage obligations	45,469	AAA	S&P
Corporate bonds	88,525	AAA	S&P
	267,230	AA-	S&P
	1,906,853	A+	S&P
	932,358	A	S&P
	44,363	A-	S&P
	32,032	BBB+	S&P
	613,193	BBB+	S&P
	32,203	BBB-	S&P
	255,018	BB+	S&P
	150,283	BB	S&P
	58,325	B	S&P

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer. The Township has more than 5 percent of its investments in the following:

Primary government - U.S. government and securities - Federal Home Loan Bank	14.73%
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Note 4 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 26,508,649	\$ -	\$ -	\$ 26,508,649
Construction in progress	2,001,409	287,910	(2,001,409)	287,910
Subtotal	28,510,058	287,910	(2,001,409)	26,796,559
Capital assets being depreciated:				
Infrastructure	11,421,965	-	-	11,421,965
Buildings and improvements	28,516,384	2,110,051	-	30,626,435
Machinery and office equipment, vehicles, and other	17,904,512	1,247,286	(435,408)	18,716,390
Subtotal	57,842,861	3,357,337	(435,408)	60,764,790
Accumulated depreciation:				
Infrastructure	8,492,317	292,028	-	8,784,345
Buildings and improvements	7,433,933	766,348	-	8,200,281
Machinery and office equipment, vehicles, and other	10,011,364	1,681,045	(324,313)	11,368,096
Subtotal	25,937,614	2,739,421	(324,313)	28,352,722
Net capital assets being depreciated	31,905,247	617,916	(111,095)	32,412,068
Net governmental activities capital assets	\$ 60,415,305	\$ 905,826	\$ (2,112,504)	\$ 59,208,627

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$ 3,455,491	\$ -	\$ -	\$ 3,455,491
Construction in progress	130,675	205,481	-	336,156
Subtotal	3,586,166	205,481	-	3,791,647
Capital assets being depreciated:				
Lines and laterals	73,865,929	4,846,382	-	78,712,311
Buildings and improvements	25,262,991	2,018	-	25,265,009
Machinery and office equipment, vehicles, and other	6,621,918	214,511	-	6,836,429
Subtotal	105,750,838	5,062,911	-	110,813,749
Accumulated depreciation:				
Lines and laterals	25,889,502	1,989,828	-	27,879,330
Buildings and improvements	5,104,911	558,618	-	5,663,529
Machinery and office equipment, vehicles, and other	3,886,803	603,104	-	4,489,907
Subtotal	34,881,216	3,151,550	-	38,032,766
Net capital assets being depreciated	70,869,622	1,911,361	-	72,780,983
Net business-type capital assets	\$ 74,455,788	\$ 2,116,842	\$ -	\$ 76,572,630

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 888,237
Public safety - Police	458,760
Public safety - Fire	433,782
District court	41,125
Community and economic development	5,184
Recreation and culture	912,333

Total governmental activities \$ 2,739,421

Business-type activities - Water and sewer \$ 3,151,550

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets (Continued)

Construction Commitments - The Township has active construction projects at year end. The projects include the water main replacement project and the library building project. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Rehabilitation of sewer lines	\$ 1,030,226	\$ 87,439
Water treatment and well expansion	552,095	1,847,905
Total	<u>\$ 1,582,321</u>	<u>\$ 1,935,344</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Fire Fund	\$ 32,423
	Police Fund	82,050
	Nonmajor governmental funds	106,200
	Total General Fund	220,673
Police Fund	Nonmajor governmental funds	8,318
Improvement Revolving Fund	General Fund	61,556
	Water and Sewer Fund	138,270
	Nonmajor governmental funds	40,000
	Total Improvement Revolving Fund	239,826
Nonmajor governmental funds	General Fund	422,504
	Fire Fund	300
	Water and Sewer Fund	332,169
	Nonmajor governmental funds	202,836
	Total nonmajor governmental funds	957,809
Water and Sewer Fund	General Fund	1,155,385
	Nonmajor governmental funds	48,877
	Total Water and Sewer Fund	1,204,262
	Total	<u>\$ 2,630,888</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 5 - Interfund Receivables, Payables and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Fire Fund	\$ 2,350,878
	Police Fund	6,690,000
	Nonmajor governmental funds	5,000
	Water and Sewer Fund	123,517
	Total	<u>\$ 9,169,395</u>

The transfers from the General Fund to the Fire Fund and the Police Fund represent transfers of unrestricted resources to finance operations of the fire and police departments in accordance with budgetary authorizations.

Note 6 - Deferred Revenue

Statement of Net Assets - On the statement of net assets, the deferred revenue in the governmental activities represents property taxes levied on December 1, 2005, but recognized as revenue in the year ending December 31, 2006, when the proceeds of the levy are budgeted and available for financing operations.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 6 - Deferred Revenue (Continued)

Governmental Funds Balance Sheet - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue recorded on the governmental funds balance sheet are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	\$ 47,035	\$ 25,913,527	\$ 25,960,562
Special assessments and other	<u>868,834</u>	<u>-</u>	<u>868,834</u>
Total	<u>\$ 915,869</u>	<u>\$ 25,913,527</u>	<u>\$ 26,829,396</u>

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental activities:							
Building Authority Bonds -							
1998 Building Authority Bonds:							
Amount of issue - \$730,000	4.60% -	\$80,000 -					
Maturing through 2006	4.75%	\$90,000	\$ 170,000	\$ -	\$ (90,000)	\$ 80,000	\$ 80,000
General Obligation Bonds:							
General Obligation Bonds - Series 1998:							
Amount of issue - \$7,000,000	4.10% -	\$200,000 -					
Maturing through 2018	4.15%	\$725,000	5,900,000	-	(200,000)	5,700,000	225,000
General Obligation Bonds - Series 1999:							
Amount of issue - \$7,000,000	4.75% -	\$225,000 -					
Maturing through 2018	5.00%	\$725,000	6,350,000	-	(225,000)	6,125,000	250,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2001:							
Amount of issue - \$600,000							
Maturing through 2006	3.50%	\$150,000	300,000	-	(150,000)	150,000	150,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2004:							
Amount of issue - \$465,000	2.00% -	\$110,000 -					
Maturing through 2008	2.30%	\$135,000	465,000	-	(110,000)	355,000	110,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2005:							
Amount of issue - \$220,000	3.30% -	\$50,000 -					
Maturing through 2008	3.875%	\$70,000	-	220,000	-	220,000	70,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2005-B:							
Amount of issue - \$2,000,000	3.30% -	\$105,000 -					
Maturing through 2008	3.875%	\$175,000	-	2,000,000	-	2,000,000	105,000
Special Assessment Bonds:							
Special Assessment Bonds - Series 1994-A:							
Amount of issue - \$755,000	4.50% -						
Maturing through 2009	5.00%	\$80,000	400,000	-	(80,000)	320,000	80,000
2001:							
Amount of issue - \$88,000	4.50% -						
Maturing through 2011	6.75%	\$10,000	70,000	-	(10,000)	60,000	10,000
Other long-term obligations:							
Employee compensated absences			1,576,593	1,512,612	(1,576,593)	1,512,612	1,512,612
Estimated personal property tax multiplier liability			203,471	-	(203,471)	-	-
Estimated liability for workers' compensation claims (Note 10)			448,816	200,793	(210,000)	439,609	113,703
Estimated liability for general liability claims (Note 10)			371,934	337,205	(371,934)	337,205	337,205
Total governmental activities			16,255,814	4,270,610	(3,226,998)	17,299,426	3,043,520

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Business-type activities							
County Contract Obligations:							
Cap. Improvement Bond - Series 2003:							
Amount of issue - \$5,000,000	2.00%	\$170,000 -					
Maturing through 2013	4.50%	\$365,000	\$ 4,835,000	\$ -	\$ (170,000)	\$ 4,665,000	\$ 180,000
Employee-compensated absences			171,521	170,061	(171,521)	170,061	170,061
Total business-type activities			5,006,521	170,061	(341,521)	4,835,061	350,061
Total business-type and governmental activities			\$ 21,262,335	\$ 4,440,671	\$ (3,568,519)	\$ 22,134,487	\$ 3,393,581

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General, Police, Fire, and Library Funds related to employee salaries and fringes. Additionally, for the business-type activities, claims and judgments and compensated absences are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,080,000	\$ 638,646	\$ 1,718,646	\$ 180,000	\$ 171,780	\$ 351,780
2007	880,000	599,634	1,479,634	185,000	168,180	353,180
2008	960,000	562,594	1,522,594	195,000	164,480	359,480
2009	905,000	523,486	1,428,486	200,000	159,800	359,800
2010	850,000	483,611	1,333,611	210,000	154,400	364,400
2011-2015	5,485,000	1,754,754	7,239,754	1,185,000	661,503	1,846,503
2016-2020	4,850,000	386,306	5,236,306	1,465,000	418,435	1,883,435
2021-2025	-	-	-	1,045,000	94,780	1,139,780
Total	\$ 15,010,000	\$ 4,949,031	\$ 19,959,031	\$ 4,665,000	\$ 1,993,358	\$ 6,658,358

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 8 - Pension Plans

Plan Descriptions

The Township administers two single-employer defined benefit pension plans: the Police and Fire Retirement System and the Regular Employees' Retirement System.

The Police and Fire Retirement System covers all full-time police and fire employees and the Regular Employees' Retirement System covers all other full-time employees of the Township. Both systems provide retirement benefits as well as death and disability benefits. Neither plan publishes a separate financial report.

At December 31, 2004, the date of the most recent actuarial valuation, membership consisted of the following:

	Police and Fire Retirement System	Regular Employees' Retirement System
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	81	113
Current active employees	<u>145</u>	<u>206</u>
Total membership	<u><u>226</u></u>	<u><u>319</u></u>

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the systems for these employees was established by negotiation with the Township's competitive bargaining units. The Police and Fire Retirement System requires a contribution from substantially all member employees of 5 percent of gross wages. The Regular Employees' Retirement System allows contributions from employees in order to purchase credit for military time. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 8 - Pension Plans (Continued)

Annual Pension Costs - For the year ended December 31, 2005, the Township's annual pension cost of \$2,975,839 for the Police and Fire Retirement System and \$1,696,164 for the Regular Employees' Retirement System was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry actual age cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, and projected salary increases ranging from 4.0 percent to 11.9 percent and 4.5 percent to 7.7 percent for the Police and Fire Retirement System and for the Regular Employees' Retirement System, respectively. The projected salary increases include an inflation factor of 4.0 percent and 4.5 percent for the Police and Fire Retirement System and for the Regular Employees' Retirement System, respectively. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions for the Police and Fire Retirement System and for the Regular Employees' Retirement System. The remaining amortization period is 27 years for the Police and Fire Retirement System and 29 years for the Regular Employees' Retirement System.

Reserves - As of December 31, 2005, the plans' legally required reserves have been fully funded as follows:

Police and Fire Retirement System:

Reserve for employees' contributions	\$ 9,878,532
Reserve for employer contributions	17,488,211
Reserve for retired benefit payments	<u>29,393,210</u>

Total Police and Fire Retirement System 56,759,953

Regular Employees' Retirement System:

Reserve for employees' contributions	1,486,718
Reserve for employer contributions	25,531,442
Reserve for retired benefit payments	<u>18,142,218</u>

Total Regular Employees' Retirement System 45,160,378

Total reserves \$ 101,920,331

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 8 - Pension Plans (Continued)

Financial Statement Information - As of December 31, 2005, the statement of net assets for the pension plans is as follows:

	Pension Trust Funds		
	Police and Fire Pension	Regular Employees' Pension	Total
Assets			
Cash and cash equivalents	\$ 44,404	\$ 94,969	\$ 139,373
Investments:			
U.S. government securities	5,655,782	4,056,012	9,711,794
Corporate bonds	3,387,882	1,345,872	4,733,754
Fixed income funds	1,347,803	235,320	1,583,123
Common stocks	23,287,392	27,336,212	50,623,604
Foreign stocks	1,221,262	-	1,221,262
Foreign bonds	-	299,384	299,384
Foreign equity funds	6,989,155	-	6,989,155
Mutual funds	8,832,619	4,223,627	13,056,246
Pension manager short-term funds	1,545,036	2,610,209	4,155,245
Investments held by broker-dealer and banks under securities lending:			
U.S. government securities	918,592	2,273,662	3,192,254
U.S. corporate fixed income	262,904	-	262,904
U.S. equities	3,267,122	3,243,437	6,510,559
Securities lending short-term collateral bank investment pools	4,583,377	5,656,219	10,239,596
Other receivable	-	190,382	190,382
Total assets	61,343,330	51,565,305	112,908,635
Liabilities			
Accounts payable	-	748,708	748,708
Amounts due to broker under securities lending agreement	4,583,377	5,656,219	10,239,596
Total liabilities	4,583,377	6,404,927	10,988,304
Net Assets - Reserved			
Police and Fire Pension	56,759,953	-	56,759,953
Regular Employees' Pension	-	45,160,378	45,160,378
Total net assets	\$ 56,759,953	\$ 45,160,378	\$ 101,920,331

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 8 - Pension Plans (Continued)

For the year ended December 31, 2005, the statement of changes in net assets for the pension plans is as follows:

	Police and Fire Pension	Regular Employees' Pension	Total
Additions			
Investment income:			
Interest and dividends	\$ 823,269	\$ 812,193	\$ 1,635,462
Net increase in fair value of investments	3,543,760	1,356,236	4,899,996
Less investment expense	(144,825)	(61,914)	(206,739)
Net investment income	4,222,204	2,106,515	6,328,719
Securities lending income:			
Interest and fees	127,892	173,679	301,571
Less borrower rebates and bank fees	(121,584)	(165,058)	(286,642)
Net securities lending income	6,308	8,621	14,929
Contributions:			
Employer	2,975,839	1,696,164	4,672,003
Employee	607,937	169,454	777,391
Total contributions	3,583,776	1,865,618	5,449,394
Deductions			
Benefit payments	2,897,974	2,031,616	4,929,590
Administrative expenses	14,277	66,174	80,451
Total deductions	2,912,251	2,097,790	5,010,041
Net Increase	4,900,037	1,882,964	6,783,001
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	51,859,916	43,277,414	95,137,330
End of year	<u>\$ 56,759,953</u>	<u>\$ 45,160,378</u>	<u>\$ 101,920,331</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 8 - Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2003	2004	2005
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,510,091	\$ 3,078,138	\$ 2,975,839
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
Regular Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,487,005	\$ 1,780,444	\$ 1,696,164
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004, the latest actuarial valuation, follows:

Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	27 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.0% - 11.9%
*Includes inflation at	4.0%

Regular Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	29 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.5% - 7.7%
*Includes inflation at	4.5%

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 9 - Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 191 individuals are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$2,404,000.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims; the Township is self-insured for workers' compensation claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA and then MMRMA uses those premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 10 - Risk Management (Continued)

The Township estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation	
	2005	2004	2005	2004
Estimated liability - Beginning of year	\$ 371,934	\$ 172,907	\$ 448,816	\$ 389,103
Estimated claims incurred, including changes in estimates	1,811,098	2,272,730	113,703	210,002
Claim payments	(1,845,827)	(2,073,703)	(122,910)	(150,289)
Estimated liability - End of year	<u>\$ 337,205</u>	<u>\$ 371,934</u>	<u>\$ 439,609</u>	<u>\$ 448,816</u>
Estimated current portion	\$ 337,205	\$ 371,934	\$ 113,703	\$ 210,000
Estimated long-term portion	-	-	325,906	238,816
Total estimated liability	<u>\$ 337,205</u>	<u>\$ 371,934</u>	<u>\$ 439,609</u>	<u>\$ 448,816</u>

Required Supplemental Information

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 9,228,326	\$ 9,138,326	\$ 9,142,102	\$ 3,776
State sources	6,413,143	6,308,143	6,319,173	11,030
Special assessments	411,000	411,000	412,438	1,438
Licenses and permits	756,700	713,700	745,581	31,881
Fines and forfeitures	2,528,344	2,384,244	2,270,494	(113,750)
Charges for services	1,933,766	1,823,766	1,832,164	8,398
Interest income	200,000	308,000	309,590	1,590
Cable revenue	495,600	535,600	535,633	33
Other	120,700	244,700	218,022	(26,678)
Total revenue	22,087,579	21,867,479	21,785,197	(82,282)
Expenditures				
General government:				
Township board	50,234	50,234	48,381	1,853
Supervisor and assessing	798,261	788,261	784,289	3,972
Elections	35,000	30,000	29,141	859
Clerk	503,914	503,914	498,783	5,131
Personnel	276,816	276,816	276,980	(164)
General services	1,533,740	1,675,840	1,561,693	114,147
Retiree benefits	1,182,100	882,100	941,924	(59,824)
Information services	385,654	370,804	358,211	12,593
Treasurer	546,316	546,316	523,727	22,589
Facilities and operations	1,266,124	1,266,124	1,261,520	4,604
Total general government	6,578,159	6,390,409	6,284,649	105,760
District Court	2,393,616	2,418,616	2,375,216	43,400
Public safety - School crossing guards	64,590	68,590	69,194	(604)
Planning department	1,226,613	1,164,947	1,117,447	47,500
Health and welfare	129,500	129,500	117,262	12,238
Parks and recreation	2,116,708	2,086,708	1,944,827	141,881
Debt service	96,255	127,255	96,090	31,165
Other	250,000	5,000	-	5,000
Transfers to other funds:				
Police Fund	6,690,000	6,690,000	6,690,000	-
Fire Fund	2,350,878	2,350,878	2,350,878	-
Improvement Revolving Fund	128,517	128,517	128,517	-
Total charges to appropriations	22,024,836	21,560,420	21,174,080	386,340
Net Change in Fund Balance	62,743	307,059	611,117	304,058
Fund Balance - Beginning of year	1,347,204	1,347,204	1,347,204	-
Fund Balance - End of year	<u>\$ 1,409,947</u>	<u>\$ 1,654,263</u>	<u>\$ 1,958,321</u>	<u>\$ 304,058</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2005

	Police Fund			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
				Favorable
				(Unfavorable)
Revenues				
Property taxes	\$ 6,694,391	\$ 6,694,391	\$ 6,689,777	\$ (4,614)
State sources	1,000	1,000	112,535	111,535
Federal sources	72,000	88,683	28,046	(60,637)
Licenses and permits	35,000	35,000	35,501	501
Fines and forfeitures	59,000	59,000	56,041	(2,959)
Charges for services	130,000	130,000	79,021	(50,979)
Interest income	30,000	30,000	142,141	112,141
Other	51,000	51,000	47,473	(3,527)
Transfer from other funds	6,690,000	6,690,000	6,690,000	-
Total revenue	13,762,391	13,779,074	13,880,535	101,461
Expenditures				
Public safety - Police	13,724,907	13,737,390	13,121,361	616,029
Capital outlay	19,000	23,200	21,913	1,287
Total expenditures	13,743,907	13,760,590	13,143,274	617,316
Net Change in Fund Balance	18,484	18,484	737,261	718,777
Fund Balance - Beginning of year	43,650	43,650	43,650	-
Fund Balance - End of year	<u>\$ 62,134</u>	<u>\$ 62,134</u>	<u>\$ 780,911</u>	<u>\$ 718,777</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended December 31, 2005

	Fire Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Property taxes	\$ 5,629,188	\$ 5,629,188	\$ 5,624,857	\$ (4,331)
Charges for services	258,837	280,837	312,691	31,854
Interest income	60,000	60,000	102,127	42,127
Other	156,620	206,620	176,286	(30,334)
Transfer from other funds	2,350,878	2,350,878	2,350,878	-
Total revenue	8,455,523	8,527,523	8,566,839	39,316
Expenditures				
Public safety - Fire	8,358,523	8,542,558	8,433,534	109,024
Capital outlay	97,000	53,965	64,531	(10,566)
Total expenditures	8,455,523	8,596,523	8,498,065	98,458
Net Change in Fund Balance	-	(69,000)	68,774	137,774
Fund Balance - Beginning of year	388,653	388,653	388,653	-
Fund Balance - End of year	<u>\$ 388,653</u>	<u>\$ 319,653</u>	<u>\$ 457,427</u>	<u>\$ 137,774</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended December 31, 2005

	Improvement Revolving Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
State sources	\$ 25,000	\$ 25,000	\$ 208,069	\$ 183,069
Interest income	10,000	10,000	102,717	92,717
Other	-	30,506	148,052	117,546
Proceeds from the issuance of long-term debt	-	2,000,000	1,994,347	(5,653)
Total revenue	35,000	2,065,506	2,453,185	387,679
Expenditures				
Capital outlay	319,930	928,943	577,158	351,785
Other	-	56,049	82,891	(26,842)
Total expenditures	319,930	984,992	660,049	324,943
Net Change in Fund Balance	(284,930)	1,080,514	1,793,136	712,622
Fund Balance - Beginning of year	2,370,052	2,370,052	2,370,052	-
Fund Balance - End of year	<u>\$ 2,085,122</u>	<u>\$ 3,450,566</u>	<u>\$ 4,163,188</u>	<u>\$ 712,622</u>

Charter Township of Waterford

Required Supplemental Information Pension System Schedule of Funding Progress December 31, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Police and Fire Retirement System						
1999	\$ 44,261,000	\$ 47,593,000	\$ 3,332,000	93.0	\$ 7,748,000	43.0
2000	48,100,000	52,000,000	3,900,000	92.5	8,200,000	47.6
2001	50,700,000	57,700,000	7,000,000	87.9	8,800,000	79.5
2002	50,300,000	62,200,000	11,900,000	80.9	9,200,000	129.3
2003	50,600,000	67,600,000	17,000,000	74.9	10,500,000	161.9
2004	52,300,000	68,700,000	16,400,000	76.1	10,000,000	164.0
Regular Employees' Retirement System						
1999	\$ 36,325,000	\$ 32,425,000	\$ (3,900,000)	112.0	\$ 7,897,000	(49.4)
2000	39,317,000	34,816,000	(4,501,000)	112.9	8,182,000	(55.0)
2001	41,200,000	36,700,000	(4,500,000)	112.3	8,900,000	(50.5)
2002	40,800,000	39,900,000	(900,000)	102.0	9,400,000	(9.6)
2003	41,600,000	44,300,000	2,700,000	94.0	9,500,000	28.4
2004	42,900,000	45,500,000	2,600,000	94.0	9,000,000	28.9

Charter Township of Waterford

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) December 31, 2005

The schedule of employer contributions is as follows:

Police and Fire Retirement System

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 1,605,659	100.0
2001	1,755,033	100.0
2002	2,153,300	100.0
2003	2,510,091	100.0
2004	3,078,138	100.0
2005	2,975,839	100.0

Regular Employees' Retirement System

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 1,051,557	100.0
2001	984,758	100.0
2002	994,059	100.0
2003	1,487,005	100.0
2004	1,780,444	100.0
2005	1,696,164	100.0

Charter Township of Waterford

Notes to Required Supplemental Information December 31, 2005

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Police Fund		Fire Fund		Improvement Revolving Fund	
	Total		Total		Total		Total	Total
	Total Revenue	Expenditures	Total Revenue	Expenditures	Total Revenue	Expenditures	Revenue	Expenditures
Amounts per operating statement	\$ 21,785,197	\$ 12,077,701	\$ 7,190,535	\$ 13,420,866	\$ 6,215,961	\$ 8,675,625	\$ 458,838	\$ 665,702
Retroactive wage accrual recorded on GAAP and not budgeted	-	(73,016)	-	(277,592)	-	(177,560)	-	-
Proceeds from the issuance of long-term debt budgeted as revenues	-	-	-	-	-	-	2,000,000	-
Operating transfers budgeted as revenue and expenditures	-	9,169,395	6,690,000	-	2,350,878	-	-	-
Amounts per budget statement	<u>\$ 21,785,197</u>	<u>\$ 21,174,080</u>	<u>\$ 13,880,535</u>	<u>\$ 13,143,274</u>	<u>\$ 8,566,839</u>	<u>\$ 8,498,065</u>	<u>\$ 2,458,838</u>	<u>\$ 665,702</u>

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that (1) operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)" and (2) retroactive wage adjustments are recorded in the period settled and paid, rather than reporting estimates during the period that the services were rendered. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

After the end of the year, several union contracts were approved. These required retroactive pay to employees in several departments. For generally accepted accounting principles purposes, since the liability was known and estimated at year end, it was required to be recorded. The Township's accounting policies call for budgeting of retroactive pay in the period of payment. Therefore, the expenditure was budgeted as a fiscal year 2006 expenditure and therefore is not reflected in the budget to actual statement.

Charter Township of Waterford

Notes to Required Supplemental Information December 31, 2005

Note 2 - Budgetary Information (Continued)

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 1, the Office of Fiscal and Human Resources Director and the Township supervisor prepare a proposed operating budget for the fiscal year commencing January 1 and submit it to the board. The budget must be adopted through a passage of a budget resolution no later than November 1.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments must be approved by a vote of the Township board. Changes in line items within an activity may be made with the approval of the director of fiscal and human resources.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township did not incur any expenditures that were significantly in excess of the amounts budgeted.

The Community Development Block Grant Fund, Weed Control Nature Center Fund, and S.A.D. Road Paving Fund were not budgeted for in the current year.

Other Supplemental Information

Charter Township of Waterford

Description of Nonmajor Governmental Funds Year Ended December 31, 2005

Special Revenue Funds

These funds are used to account for specific revenue sources, which are legally restricted to expenditures for specific functions or activities. Restrictions may be imposed by State Statute, the State Constitution, Township board resolution or action, or the electorate through the approval of special dedicated millages.

Bike Path Fund - This fund accounts for donations received from the public for the development of the Township's bike path system through land acquisition and infrastructure development.

Community Development Block Grant Fund - Entitlements received under the federally funded Community Development Block Grant Program are accounted for in this fund. These funds are used to provide approved Block Grant projects and programs.

Library Fund - This fund accounts for specific property taxes and related revenues used to stock books and operate programs in the various Township libraries.

Library Donations Fund - This fund accounts for donations received from the public. These funds are used as needed for children's programs, library furniture, and improvements to the facility.

Workers' Compensation Fund - This fund is used to provide financial stability in the case of a catastrophic workers' compensation claim. This fund was established in the 1980s when the Township converted to a self-insured insurance program.

Cemetery Care Fund - This fund is used to account for the revenue of the sales of grave sites and interments. The funds are used for the annual expense of cemetery maintenance.

Weed Control Funds - These funds are used to account for revenues and expenditures related to special assessments for weed control of various lakes within the Township.

Police Restricted Use Fund - This fund is used to account for monies seized in arrests for illegal drug activities and from various grants issued to the police department. Functions and activities include drug enforcement and education, departmental training, and expenses associated with the grants received.

Health Benefits Fund - This fund was created to finance the ongoing expenses associated with providing health benefits to the Township's retired employees. This fund receives contributions from other funds to build a reserve that will eventually generate sufficient income for the annual expense of retiree health benefits.

Charter Township of Waterford

Description of Nonmajor Governmental Funds (Continued) Year Ended December 31, 2005

Nature Center Fund - This fund was established in 2005 to account for monies used for the maintenance and operation of the Drayton Plains Nature Center.

Cable Commission Fund - This fund was created to account for the cable-related activities of the Township. The Township receives a franchise fee from Comcast annually.

Debt Service Fund

This fund is used to account for the accumulation of resources for the periodic payment of principal and interest on police and fire long-term debt.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Revenue sources include General Fund transfers, grants from other units of government, private contributions, and bond proceeds.

S.A.D. Road Paving Fund - This fund accounts for the construction phase of local improvements that benefit property owners and, as such, are ultimately financed through special assessments.

Police and Fire Building Fund - This fund accounts for the capital purchases and construction of the police and fire buildings by the Township.

Internal Service Fund

This fund accounts for the costs of acquiring and maintaining Township-operated vehicles used by various Township departments. The actual cost of labor and materials is reimbursed to this fund by the user departments through fees.

Charter Township of Waterford

Description of Nonmajor Governmental Funds (Continued) Year Ended December 31, 2005

Trust and Agency Funds

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Fund - This fund accounts for deposit of monies held by the Township government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Pension Trust Funds - The Township operates two retirement systems, which are accounted for in two separate funds. These funds include the Regular Employees' Pension Fund, covering all full-time regular employees (excluding sworn police and fire employees), and the Police and Fire Pension Fund, which covers sworn police and fire employees.

Charter Township of Waterford

	Special Revenue Funds						
	Bike Path	Community Development Block Grant	Library	Library Donations	Workers' Compensation	Cemetery Care	Weed Control
Assets							
Cash and investments	\$ 196,653	\$ 239,721	\$ 1,632,722	\$ 29,287	\$ 539,033	\$ 75,087	\$ 150,543
Receivables:							
Taxes	-	-	1,304,950	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Due from other governmental units	-	169,015	-	-	-	-	-
Other	-	-	-	-	-	-	118,450
Due from other funds	5,410	-	117,181	300	-	-	7,757
Total assets	\$ 202,063	\$ 408,736	\$ 3,054,853	\$ 29,587	\$ 539,033	\$ 75,087	\$ 276,750
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ -	\$ 23,623	\$ 17,486	\$ 24	\$ -	\$ -	\$ -
Accrued and other liabilities	145	4,685	42,622	-	-	-	2,990
Deferred revenue	-	169,015	2,260,257	-	-	-	227,217
Due to other funds	-	121,675	163,735	-	-	-	7,896
Total liabilities	145	318,998	2,484,100	24	-	-	238,103
Fund Balance - Unreserved							
Designated for subsequent year's expenditures	36,102	-	16,574	13,850	-	-	-
Undesignated	165,816	89,738	554,179	15,713	539,033	75,087	38,647
Total fund balances	201,918	89,738	570,753	29,563	539,033	75,087	38,647
Total liabilities and fund balance	\$ 202,063	\$ 408,736	\$ 3,054,853	\$ 29,587	\$ 539,033	\$ 75,087	\$ 276,750

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
Police Restricted Use	Health Benefits	Nature Center	Cable Commission	Debt Service	S.A.D. Road Paving	Police and Fire Building	
\$ 605,895	\$ 4,299,181	\$ 624,652	\$ 243,607	\$ 705,492	\$ 295,377	\$ 25,127	\$ 9,662,377
-	-	-	-	572,413	-	-	1,877,363
-	-	-	-	-	84,883	-	84,883
-	-	-	-	-	-	-	169,015
1,472	-	-	-	-	-	-	119,922
-	743,445	-	5,818	-	77,898	-	957,809
<u>\$ 607,367</u>	<u>\$ 5,042,626</u>	<u>\$ 624,652</u>	<u>\$ 249,425</u>	<u>\$ 1,277,905</u>	<u>\$ 458,158</u>	<u>\$ 25,127</u>	<u>\$ 12,871,369</u>
\$ 29,956	\$ -	\$ -	\$ 794	\$ -	\$ -	\$ 1,607	\$ 73,490
-	-	-	1,428	-	-	-	51,870
1,476	-	-	-	991,499	84,883	-	3,734,347
8,818	104,048	-	-	-	-	59	406,231
40,250	104,048	-	2,222	991,499	84,883	1,666	4,265,938
41,100	-	-	19,001	-	-	-	126,627
526,017	4,938,578	624,652	228,202	286,406	373,275	23,461	8,478,804
567,117	4,938,578	624,652	247,203	286,406	373,275	23,461	8,605,431
<u>\$ 607,367</u>	<u>\$ 5,042,626</u>	<u>\$ 624,652</u>	<u>\$ 249,425</u>	<u>\$ 1,277,905</u>	<u>\$ 458,158</u>	<u>\$ 25,127</u>	<u>\$ 12,871,369</u>

Charter Township of Waterford

	Special Revenue Funds						
	Bike Path	Community Development Block Grant	Library	Library Donations	Workers' Compensation	Cemetery Care	Weed Control
Revenue							
Property taxes	\$ -	\$ -	\$ 2,188,281	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-
Intergovernmental revenue:							
State sources	-	-	62,881	-	-	-	-
Federal sources	-	751,406	-	-	-	-	-
Charges for services	-	-	57,887	-	-	-	-
Fines and fees	-	-	132,549	-	-	-	-
Interest	6,832	-	27,745	-	51,627	-	-
Miscellaneous revenue	-	-	71	30,317	-	-	-
Total revenue	6,832	751,406	2,469,414	30,317	51,627	-	-
Expenditures							
General government	-	-	-	-	-	-	-
Public safety - Police	-	-	-	-	-	-	-
Public works	8,985	-	-	-	-	-	-
Community and economic development	-	904,825	-	-	-	-	-
Recreation and culture	-	-	2,083,384	5,087	-	-	3,892
Capital expenditures	-	-	273,658	21,192	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	8,985	904,825	2,357,042	26,279	-	-	3,892
Excess of Revenue Over (Under) Expenditures	(2,153)	(153,419)	112,372	4,038	51,627	-	(3,892)
Other Financing Sources -							
Transfers in	-	-	-	-	-	5,000	-
Net Change in Fund Balances	(2,153)	(153,419)	112,372	4,038	51,627	5,000	(3,892)
Fund Balances - Beginning of year	204,071	243,157	458,381	25,525	487,406	70,087	42,539
Fund Balances - End of year	<u>\$ 201,918</u>	<u>\$ 89,738</u>	<u>\$ 570,753</u>	<u>\$ 29,563</u>	<u>\$ 539,033</u>	<u>\$ 75,087</u>	<u>\$ 38,647</u>

**Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2005**

Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
Police Restricted Use	Health Benefits	Nature Center	Cable Commission	Debt Service	S.A.D. Road Paving	Police and Fire Building	
\$ -	\$ -	\$ -	\$ -	\$ 941,559	\$ -	\$ -	\$ 3,129,840
-	-	-	-	-	63,201	-	63,201
-	-	675,900	-	-	-	-	738,781
-	-	-	-	-	-	-	751,406
-	-	-	-	-	-	-	57,887
-	-	-	-	-	-	-	132,549
-	157,109	5,252	8,618	15,475	14,421	-	287,079
<u>535,942</u>	<u>34,626</u>	<u>-</u>	<u>149,095</u>	<u>602</u>	<u>27,416</u>	<u>-</u>	<u>778,069</u>
535,942	191,735	681,152	157,713	957,636	105,038	-	5,938,812
-	-	-	149,013	-	-	-	149,013
148,118	-	-	-	-	-	-	148,118
-	-	-	-	-	-	-	8,985
-	-	56,500	-	-	-	-	961,325
-	-	-	-	-	-	-	2,092,363
-	-	-	4,463	-	-	23,770	323,083
-	-	-	-	976,475	119,568	-	1,096,043
<u>148,118</u>	<u>-</u>	<u>56,500</u>	<u>153,476</u>	<u>976,475</u>	<u>119,568</u>	<u>23,770</u>	<u>4,778,930</u>
387,824	191,735	624,652	4,237	(18,839)	(14,530)	(23,770)	1,159,882
-	-	-	-	-	-	-	5,000
387,824	191,735	624,652	4,237	(18,839)	(14,530)	(23,770)	1,164,882
<u>179,293</u>	<u>4,746,843</u>	<u>-</u>	<u>242,966</u>	<u>305,245</u>	<u>387,805</u>	<u>47,231</u>	<u>7,440,549</u>
<u>\$ 567,117</u>	<u>\$ 4,938,578</u>	<u>\$ 624,652</u>	<u>\$ 247,203</u>	<u>\$ 286,406</u>	<u>\$ 373,275</u>	<u>\$ 23,461</u>	<u>\$ 8,605,431</u>

Charter Township of Waterford

Combining Statement of Net Assets Fiduciary Funds December 31, 2005

	Pension Trust Funds		
	Police and Fire Pension	Regular Employees' Pension	Total
Assets			
Cash and cash equivalents	\$ 44,404	\$ 94,969	\$ 139,373
Investments:			
U.S. government securities	5,655,782	4,056,012	9,711,794
Corporate bonds	3,387,882	1,345,872	4,733,754
Fixed income funds	1,347,803	235,320	1,583,123
Common stocks	23,287,392	27,336,212	50,623,604
Foreign stocks	1,221,262	-	1,221,262
Foreign bonds	-	299,384	299,384
Foreign equity funds	6,989,155	-	6,989,155
Mutual funds	8,832,619	4,223,627	13,056,246
Pension manager short-term funds	1,545,036	2,610,209	4,155,245
Investments held by broker-dealer and banks under securities lending:			
U.S. government securities	918,592	2,273,662	3,192,254
U.S. corporate fixed income	262,904	-	262,904
U.S. equities	3,267,122	3,243,437	6,510,559
Securities lending short-term collateral bank investment pools	4,583,377	5,656,219	10,239,596
Other receivable	-	190,382	190,382
Total assets	61,343,330	51,565,305	112,908,635
Liabilities			
Accounts payable	-	748,708	748,708
Amounts due to broker under securities lending agreement	4,583,377	5,656,219	10,239,596
Total liabilities	4,583,377	6,404,927	10,988,304
Net Assets - Reserved			
Police and Fire Pension	56,759,953	-	56,759,953
Regular Employees' Pension	-	45,160,378	45,160,378
Total net assets	\$ 56,759,953	\$ 45,160,378	\$ 101,920,331

Charter Township of Waterford

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended December 31, 2005

	Police and Fire Pension	Regular Employees' Pension	Total
Additions			
Investment income:			
Interest and dividends	\$ 823,269	\$ 812,193	\$ 1,635,462
Net increase in fair value of investments	3,543,760	1,356,236	4,899,996
Less investment expense	(144,825)	(61,914)	(206,739)
Net investment income	4,222,204	2,106,515	6,328,719
Securities lending income:			
Interest and fees	127,892	173,679	301,571
Less borrower rebates and bank fees	(121,584)	(165,058)	(286,642)
Net securities lending income	6,308	8,621	14,929
Contributions:			
Employer	2,975,839	1,696,164	4,672,003
Employee	607,937	169,454	777,391
Total contributions	3,583,776	1,865,618	5,449,394
Deductions			
Benefit payments	2,897,974	2,031,616	4,929,590
Administrative expenses	14,277	66,174	80,451
Total deductions	2,912,251	2,097,790	5,010,041
Net Increase	4,900,037	1,882,964	6,783,001
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	51,859,916	43,277,414	95,137,330
End of year	<u>\$ 56,759,953</u>	<u>\$ 45,160,378</u>	<u>\$ 101,920,331</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended December 31, 2005

	Bike Path Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Licenses - Bikes	\$ 100	\$ 100	\$ -	\$ (100)
Interest revenue	<u>3,000</u>	<u>3,000</u>	<u>6,832</u>	<u>3,832</u>
Total revenues	3,100	3,100	6,832	3,732
Expenditures - Bike path expense	<u>39,202</u>	<u>39,202</u>	<u>8,985</u>	<u>30,217</u>
Net Change in Fund Balance	(36,102)	(36,102)	(2,153)	33,949
Fund Balance - Beginning of year	<u>204,071</u>	<u>204,071</u>	<u>204,071</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 167,969</u>	<u>\$ 167,969</u>	<u>\$ 201,918</u>	<u>\$ 33,949</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Library Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 2,189,845	\$ 2,189,845	\$ 2,188,281	\$ (1,564)
State sources	140,000	140,000	62,881	(77,119)
Charges for services	77,175	77,175	57,887	(19,288)
Fines and fees	38,000	38,000	132,549	94,549
Interest	20,000	20,000	27,745	7,745
Miscellaneous	-	-	71	71
Total revenues	2,465,020	2,465,020	2,469,414	4,394
Expenditures				
Library expense	2,165,278	2,113,153	2,059,695	53,458
Capital outlay	336,200	333,400	273,658	59,742
Total expenditures	2,501,478	2,446,553	2,333,353	113,200
Net Change in Fund Balance	(36,458)	18,467	136,061	117,594
Fund Balance - Beginning of year	458,381	458,381	458,381	-
Fund Balance - End of year	<u>\$ 421,923</u>	<u>\$ 476,848</u>	<u>\$ 594,442</u>	* <u>\$ 117,594</u>

* For generally accepted accounting principles purposes, since the liability was known and estimated at year end, it was required to be recorded. The Township's accounting policies call for budgeting of retroactive pay in the period of payment. Therefore, the expenditure was budgeted as a fiscal year 2006 expenditure and therefore is not reflected in the budget to actual statements.

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Library Donations Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Interest revenue	\$ 150	\$ 150	\$ -	\$ (150)
Contribution - Library donations	<u>12,000</u>	<u>24,000</u>	<u>30,317</u>	<u>6,317</u>
Total revenues	12,150	24,150	30,317	6,167
Expenditures				
Supplies - Books, magazines, etc.	5,000	5,000	5,087	87
Capital - Computer	<u>30,000</u>	<u>30,000</u>	<u>21,192</u>	<u>(8,808)</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>26,279</u>	<u>(8,721)</u>
Net Change in Fund Balance	(22,850)	(10,850)	4,038	14,888
Fund Balance - Beginning of year	<u>25,525</u>	<u>25,525</u>	<u>25,525</u>	-
Fund Balance - End of year	<u><u>\$ 2,675</u></u>	<u><u>\$ 14,675</u></u>	<u><u>\$ 29,563</u></u>	<u><u>\$ 14,888</u></u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2005

	Workers' Compensation Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues - Interest	\$ 12,000	\$ 12,000	\$ 51,627	\$ 39,627
Expenditures	500	500	-	500
Net Change in Fund Balance	11,500	11,500	51,627	40,127
Fund Balance - Beginning of year	487,406	487,406	487,406	-
Fund Balance - End of year	<u><u>\$ 498,906</u></u>	<u><u>\$ 498,906</u></u>	<u><u>\$ 539,033</u></u>	<u><u>\$ 40,127</u></u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Cemetery Fund			Variance With
	Original Budget	Final Budget	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues - Contribution - General Fund	\$ -	\$ -	\$ -	\$ -
Expenditures - Transfer out	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Other Financing Sources - Transfers in	-	-	5,000	5,000
Fund Balance - Beginning of year	70,087	70,087	70,087	-
Fund Balance - End of year	<u>\$ 70,087</u>	<u>\$ 70,087</u>	<u>\$ 75,087</u>	<u>\$ 5,000</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Police Restricted Use Fund			Variance With
	Original Budget	Final Budget	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Criminal justice	\$ 18,000	\$ 18,000	\$ 18,206	\$ 206
State sources	6,000	6,000	7,455	1,455
Vehicle inspection	500	500	100	(400)
State drug seizure	75,000	75,000	505,933	430,933
Community police	2,000	2,000	-	(2,000)
Interest	1,000	1,000	4,248	3,248
Total revenues	102,500	102,500	535,942	433,442
Expenditures				
Banking services	700	700	403	297
Criminal justice training	18,000	18,000	12,780	5,220
PSAP training	6,000	6,000	14,398	(8,398)
Drug seizure expense	50,000	50,000	87,839	(37,839)
Federal drug seizure expense	-	5,408	4,212	1,196
Vehicle inspection expense	500	500	-	500
Community police	3,000	3,000	1,783	1,217
Capital - Vehicles	40,000	40,000	26,703	13,297
Total expenditures	118,200	123,608	148,118	(24,510)
Net Change in Fund Balance	(15,700)	(21,108)	387,824	408,932
Fund Balance - Beginning of year	179,293	179,293	179,293	-
Fund Balance - End of year	<u>\$ 163,593</u>	<u>\$ 158,185</u>	<u>\$ 567,117</u>	<u>\$ 408,932</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Health Benefits Fund			Variance With
				Final Budget
	Original Budget	Final Budget	Actual	Favorable
				(Unfavorable)
Revenues				
Interest revenue - Investments	\$ 50,000	\$ 50,000	\$ 157,109	\$ 107,109
Contribution - Health care	34,826	34,826	34,626	(200)
Total revenues	84,826	84,826	191,735	106,909
Expenditures	-	-	-	-
Net Change in Fund Balance	84,826	84,826	191,735	106,909
Fund Balance - Beginning of year	4,746,843	4,746,843	4,746,843	-
Fund Balance - End of year	<u>\$ 4,831,669</u>	<u>\$ 4,831,669</u>	<u>\$ 4,938,578</u>	<u>\$ 106,909</u>

Note: This fund will not be used for payments until a program to fund retiree health care is designed.

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Cable Commission Fund			Variance With
				Final Budget
	Original Budget	Final Budget	Actual	Favorable
				(Unfavorable)
Revenues				
Interest revenue	\$ 4,000	\$ 4,000	\$ 8,618	\$ 4,618
Contribution - Comcast cable	124,400	124,400	149,095	24,695
Total revenues	128,400	128,400	157,713	29,313
Expenditures				
Cable expenses	150,000	158,081	149,013	9,068
Capital outlay	-	4,410	4,463	(53)
Total expenditures	150,000	162,491	153,476	9,015
Net Change in Fund Balance	(21,600)	(34,091)	4,237	38,328
Fund Balance - Beginning of year	242,966	242,966	242,966	-
Fund Balance - End of year	<u>\$ 221,366</u>	<u>\$ 208,875</u>	<u>\$ 247,203</u>	<u>\$ 38,328</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Debt Service Fund			Variance With
	Original Budget	Final Budget	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Tax revenue	\$ 954,000	\$ 954,000	\$ 941,559	\$ (12,441)
Interest revenue	8,000	8,000	15,475	7,475
Miscellaneous revenue	-	-	602	602
Total revenues	962,000	962,000	957,636	(4,364)
Expenditures				
Principal - Police and fire bonds	425,000	425,000	425,000	-
Interest - Police and fire bonds	550,875	550,875	550,875	-
Agent fees	600	600	600	-
Total expenditures	976,475	976,475	976,475	-
Net Change in Fund Balance	(14,475)	(14,475)	(18,839)	(4,364)
Fund Balance - Beginning of year	305,245	305,245	305,245	-
Fund Balance - End of year	<u>\$ 290,770</u>	<u>\$ 290,770</u>	<u>\$ 286,406</u>	<u>\$ (4,364)</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2005

	Police and Fire Building Fund			Variance With
	Original Budget	Final Budget	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Interest revenue	\$ -	\$ -	\$ -	\$ -
Interest revenue - Investments	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Architects and engineers	-	-	15,102	15,102
Construction expense	-	-	8,668	8,668
Total expenditures	-	-	23,770	23,770
Net Change in Fund Balance	-	-	(23,770)	(23,770)
Fund Balance - Beginning of year	47,231	47,231	47,231	-
Fund Balance - End of year	<u>\$ 47,231</u>	<u>\$ 47,231</u>	<u>\$ 23,461</u>	<u>\$ (23,770)</u>

Charter Township of Waterford

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Fiscal Year Ended December 31, 2005

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
<u>Tax Collections</u>				
Assets - Cash and investments	<u>\$ 4,214,470</u>	<u>\$ 280,393,713</u>	<u>\$ 283,008,338</u>	<u>\$ 1,599,845</u>
Liabilities				
Due to other governmental units	\$ 4,188,063	\$ 60,944,938	\$ 63,539,344	\$ 1,593,657
Accrued and other liabilities	<u>26,407</u>	<u>-</u>	<u>20,219</u>	<u>6,188</u>
Total liabilities	<u>\$ 4,214,470</u>	<u>\$ 60,944,938</u>	<u>\$ 63,559,563</u>	<u>\$ 1,599,845</u>
<u>Other Agency Funds</u>				
Assets				
Cash and investments	\$ 1,384,715	\$ 30,565,117	\$ 30,524,183	\$ 1,425,649
Receivables	<u>54,907</u>	<u>960</u>	<u>-</u>	<u>55,867</u>
Total assets	<u>\$ 1,439,622</u>	<u>\$ 30,566,077</u>	<u>\$ 30,524,183</u>	<u>\$ 1,481,516</u>
Liabilities				
Due to other governmental units	\$ 3,783	\$ -	\$ -	\$ 3,783
Accrued and other liabilities	-	844,416	822,201	22,215
Bonds and other deposits	<u>1,435,839</u>	<u>494,704</u>	<u>475,025</u>	<u>1,455,518</u>
Total liabilities	<u>\$ 1,439,622</u>	<u>\$ 1,339,120</u>	<u>\$ 1,297,226</u>	<u>\$ 1,481,516</u>
<u>Total Agency Funds</u>				
Assets - Cash and investments	<u>\$ 5,654,092</u>	<u>\$ 310,959,790</u>	<u>\$ 313,532,521</u>	<u>\$ 3,081,361</u>
Liabilities				
Due to other governmental units	\$ 4,191,846	\$ 60,944,938	\$ 63,539,344	\$ 1,597,440
Accrued and other liabilities	26,407	844,416	842,420	28,403
Bonds and other deposits	<u>1,435,839</u>	<u>494,704</u>	<u>475,025</u>	<u>1,455,518</u>
Total liabilities	<u>\$ 5,654,092</u>	<u>\$ 62,284,058</u>	<u>\$ 64,856,789</u>	<u>\$ 3,081,361</u>

Statistical Section

Charter Township of Waterford

Financial Trend Information Net Assets by Component

	Fiscal Year		
	2003	2004	2005
Governmental Activities			
Invested in capital assets - Net of related debt	\$ 47,758,699	\$ 46,760,305	\$ 44,198,627
Restricted	4,448,658	4,414,219	4,271,716
Unrestricted	8,168,739	7,867,683	12,528,472
Business-type Activities			
Invested in or restricted for capital assets - Net of related debt	62,534,177	72,853,886	71,907,630
Restricted	692,679	-	-
Unrestricted	32,725,006	21,836,410	22,455,525
Primary Government in Total			
Invested in or restricted for capital assets - Net of related debt	110,292,876	117,920,686	116,106,257
Restricted	5,141,337	4,271,716	4,271,716
Unrestricted	40,893,745	33,001,574	34,983,997

Note: In fiscal year 2003, the Township adopted GASB No. 34 and began reporting a governmental-wide statement of net assets.

Source: Township annual financial statements

Charter Township of Waterford

Financial Trend Information Changes in Governmental Net Assets (Unaudited)

	Fiscal Year		
	2003	2004	2005
Expenses			
General government	\$ 5,649,672	\$ 7,357,935	\$ 5,466,726
District court	3,140,799	2,418,173	2,317,176
Police	14,014,063	14,453,835	13,966,141
Fire and EMS	8,104,381	8,576,925	9,080,398
Building inspections	1,590,632	1,473,563	1,470,193
Community and economic activities	2,342,490	1,937,745	1,961,479
Recreation and culture	5,176,747	4,290,005	4,981,226
Public works activities	684,653	610,748	553,056
Interest on long-term debt	765,496	743,442	629,171
Total governmental activities	41,468,933	41,862,371	40,425,566
Program Revenues			
Charges for services:			
General government	1,254,061	2,112,398	2,457,109
District Court	2,418,119	2,448,511	2,064,928
Police	270,735	253,299	188,869
Fire	299,416	419,675	441,416
Building inspections	668,000	713,689	809,922
Recreation and culture	1,489,629	1,106,966	936,919
Community and economic activities	261,846	262,316	297,423
Other activities	514,872	439,569	475,639
Total charges for services	7,176,678	7,756,423	7,672,225
Operating grants and contributions	1,291,768	919,783	2,742,244
Total program revenues	8,468,446	8,676,206	10,414,469
Excess of Expenses Over Program Revenues	(33,000,487)	(33,186,165)	(30,011,097)
General Revenues			
Property taxes	22,552,041	23,361,991	24,789,201
State-shared revenues	6,597,657	6,103,011	6,238,324
Investment earnings	448,991	412,640	955,972
Franchise fees	668,750	653,945	-
Miscellaneous	98,846	219,889	107,725
Transfers	-	-	(123,517)
Total general revenues	30,366,285	30,751,476	31,967,705
Change in Net Assets	\$ (2,634,202)	\$ (2,434,689)	\$ 1,956,608

Note: In fiscal year 2003, the Township adopted GASB No. 34 and began reporting a governmental-wide statement of net assets.

Source: Township annual financial statements

Charter Township of Waterford

	Fiscal Year			
	1996	1997	1998	1999
Operating Revenue				
Water usage billings	\$ 2,873,721	\$ 2,966,439	\$ 3,393,269	\$ 3,469,481
Sewage disposal charges	5,423,900	5,709,619	6,165,698	6,510,088
Hydrant rental	1,070	1,151	2,342	2,855
Meter charges	80,158	83,838	101,465	100,875
Charges for services	404,394	6,190	83,850	75,560
State sources	-	-	-	-
Total operating revenue	8,783,243	8,767,237	9,746,624	10,158,859
Operating Expenses				
Cost of water	1,495,769	1,654,529	1,782,820	1,813,183
Cost of sewage disposal	2,660,179	2,669,414	2,808,344	3,235,232
Operation and maintenance costs	1,280,217	939,408	530,232	1,622,868
General and administrative costs	1,844,417	2,037,830	2,473,430	2,732,318
Depreciation	2,447,700	2,497,000	2,561,966	2,752,309
Other services and charges	-	-	-	-
Total operating expenses	9,728,282	9,798,181	10,156,792	12,155,910
Operating Loss	(945,039)	(1,030,944)	(410,168)	(1,997,051)
Nonoperating Revenue (Expenses)				
Property taxes	2,151,161	1,134,216	1,204,892	428,751
Investment income	3,074,673	3,795,131	2,510,333	2,958,472
Interest expense	(2,556,367)	(2,061,758)	(1,974,883)	(1,690,838)
Total nonoperating revenue (expenses)	2,669,467	2,867,589	1,740,342	1,696,385
Income (Loss) - Before contributions	1,724,428	1,836,645	1,330,174	(300,666)
Transfers in	-	-	-	-
Capital Contributions	-	-	-	-
Change in Net Assets	<u>\$ 1,724,428</u>	<u>\$ 1,836,645</u>	<u>\$ 1,330,174</u>	<u>\$ (300,666)</u>

Source: Township annual financial statements

Financial Trend Information
Changes in Business-type Net Assets
Last Ten Fiscal Years (Unaudited)

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 3,170,208	\$ 3,273,165	\$ 3,436,532	\$ 3,301,757	\$ 3,538,589	\$ 4,063,895
6,625,930	7,161,780	8,021,301	8,497,681	8,599,796	8,740,176
1,074	1,305	1,020	1,173	1,200	1,162
79,322	59,524	62,926	52,537	38,165	46,150
151,477	243,174	257,741	295,499	264,737	157,204
-	-	-	17,940	14,283	84,496
10,028,011	10,738,948	11,779,520	12,166,587	12,456,770	13,093,083
1,683,118	1,609,646	1,708,453	1,938,057	1,889,388	1,919,760
3,630,939	3,750,735	4,593,631	5,176,929	5,262,612	5,306,515
1,274,760	1,482,038	1,370,232	1,550,088	1,159,545	907,518
2,499,109	2,893,828	2,657,727	3,560,230	4,057,731	4,427,857
2,932,916	3,139,592	3,295,361	2,641,377	2,780,684	3,151,550
-	-	-	62,537	244	-
12,020,842	12,875,839	13,625,404	14,929,218	15,150,204	15,713,200
(1,992,831)	(2,136,891)	(1,845,884)	(2,762,631)	(2,693,434)	(2,620,117)
452,505	484,389	205,810	-	-	-
3,271,897	2,114,190	1,118,394	418,198	641,651	589,824
(1,391,671)	(1,158,526)	(684,503)	(454,023)	(330,667)	(173,999)
2,332,731	1,440,053	639,701	(35,825)	310,984	415,825
339,900	(696,838)	(1,206,183)	(2,798,456)	(2,382,450)	(2,204,292)
-	-	-	-	-	123,517
-	1,314,651	1,793,900	1,171,875	1,120,884	1,753,634
\$ 339,900	\$ 617,813	\$ 587,717	\$ (1,626,581)	\$ (1,261,566)	\$ (327,141)

Charter Township of Waterford

	Fiscal Year			
	1996	1997	1998	1999
General Fund				
Reserved	\$ 68,569	\$ -	\$ -	\$ -
Unreserved	4,086,587	4,738,325	4,337,219	5,054,292
Total General Fund	<u>\$ 4,155,156</u>	<u>\$ 4,738,325</u>	<u>\$ 4,337,219</u>	<u>\$ 5,054,292</u>
All Other Governmental Funds				
Reserved	\$ 135,867	\$ 138,669	\$ 124,497	\$ 146,203
Unreserved, reported in:				
Special Revenue Funds	2,849,967	3,918,800	6,650,403	8,753,712
Capital Project Funds	91,729	149,880	6,724,059	10,525,231
Debt Service Funds	-	-	216	152,195
Total General Fund and all other governmental funds	<u>\$ 7,232,719</u>	<u>\$ 8,945,674</u>	<u>\$ 17,836,394</u>	<u>\$ 24,631,633</u>

Source: Township annual financial statements

	Fiscal Year			
	1996	1997	1998	1999
Revenue				
Property taxes	\$ 12,844,301	\$ 13,621,986	\$ 14,409,845	\$ 16,303,044
Intergovernmental revenue	7,317,304	6,961,935	6,852,687	7,863,217
Licenses and permits	1,225,970	1,426,948	1,457,214	1,366,294
Fines and forfeitures	2,851,803	3,020,007	3,206,278	3,186,853
Charges for services	1,448,163	1,104,427	1,249,868	1,326,703
Special assessments	258,303	624,988	559,298	524,219
Interest and miscellaneous	1,740,260	1,585,993	3,907,114	3,164,332
Total revenue	27,686,104	28,346,284	31,642,304	33,734,662
Expenditures				
Current:				
General government	5,716,361	6,368,356	7,223,149	7,001,460
Public safety	12,539,423	13,029,200	14,857,086	15,008,063
Community and economic development	2,558,240	2,541,539	2,464,456	2,431,841
Recreation and culture	2,726,750	2,753,913	3,159,891	3,307,371
Miscellaneous	-	-	193	2,032
Capital outlay	1,564,842	1,364,222	1,517,450	6,047,458
Debt administration	589,566	576,099	533,820	896,198
Total expenditures	25,695,182	26,633,329	29,756,045	34,694,423
Excess of Revenue Over (Under) Expenditures	1,990,922	1,712,955	1,886,259	(959,761)
Other Financing Sources (Uses)				
Debt issuance	-	-	7,730,000	7,755,000
Transfers in	6,905,240	7,311,337	7,987,642	7,675,205
Transfers out	(6,905,240)	(7,311,337)	(8,713,181)	(7,675,205)
Total other financing sources (uses)	-	-	7,004,461	7,755,000
Net Change in Fund Balances	1,990,922	1,712,955	8,890,720	6,795,239
Fund Balances - Beginning of year	5,241,797	7,232,719	8,945,674	17,836,394
Fund Balances - End of year	<u>\$ 7,232,719</u>	<u>\$ 8,945,674</u>	<u>\$ 17,836,394</u>	<u>\$ 24,631,633</u>
Debt service as a percentage of noncapital expenditures	2.44%	2.28%	1.89%	3.13%

Source: Township annual financial statements

Financial Trend Information
Fund Balance - Governmental Funds
Last Ten Fiscal Years (Unaudited)

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ -	\$ -	\$ 140,412	\$ -	\$ -	\$ -
5,248,738	4,691,515	2,322,497	764,627	1,347,204	1,885,305
\$ 5,248,738	\$ 4,691,515	\$ 2,462,909	\$ 764,627	\$ 1,347,204	\$ 1,885,305
\$ 196,662	\$ 302,515	\$ 331,358	\$ 117,641	\$ 179,293	\$ 567,117
9,027,022	9,089,043	11,366,438	10,634,792	9,323,330	12,301,546
6,717,904	1,124,555	641,380	519,173	435,036	396,736
280,709	413,357	370,741	336,053	305,245	286,406
\$ 21,471,035	\$ 15,620,985	\$ 15,172,826	\$ 12,372,286	\$ 11,590,108	\$ 15,437,110

Change in Fund Balances - Governmental Funds
Last Ten Fiscal Years (Unaudited)

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 17,184,089	\$ 18,252,454	\$ 19,687,111	\$ 22,396,355	\$ 23,388,467	\$ 24,586,576
7,937,944	8,344,620	8,325,431	7,827,753	7,620,465	8,158,010
1,077,155	1,165,095	1,075,998	1,092,417	1,170,341	1,316,715
2,634,526	2,814,162	2,658,430	2,778,621	2,764,971	2,459,084
1,432,170	1,580,763	1,984,950	2,238,494	2,315,956	2,281,763
657,593	715,446	621,018	514,872	489,562	475,639
4,042,576	2,604,592	4,230,603	1,782,200	2,301,714	4,278,487
34,966,053	35,477,132	38,583,541	38,630,712	40,051,476	43,556,274
7,024,331	7,526,958	7,998,661	7,554,150	7,519,259	7,491,459
16,158,888	17,384,572	18,968,282	21,427,773	22,184,623	22,227,359
2,672,870	2,689,856	2,839,461	3,866,987	3,449,228	3,494,062
3,674,439	3,965,001	4,499,079	4,504,373	4,045,750	4,073,698
513,173	488,004	499,936	123,515	140,705	91,876
7,045,168	8,239,945	2,597,818	2,798,810	2,324,405	1,015,745
1,037,782	1,120,846	1,114,713	1,155,646	1,169,684	1,191,556
38,126,651	41,415,182	38,517,950	41,431,254	40,833,654	39,585,755
(3,160,598)	(5,938,050)	65,591	(2,800,542)	(782,178)	3,970,519
-	88,000	-	-	-	-
8,202,940	8,651,899	9,821,595	10,128,971	10,157,922	9,045,878
(8,202,940)	(8,651,899)	(9,821,595)	(10,128,971)	(10,157,922)	(9,169,395)
-	88,000	-	-	-	(123,517)
(3,160,598)	(5,850,050)	65,591	(2,800,542)	(782,178)	3,847,002
24,631,633	21,471,035	15,107,235	15,172,826	12,372,284	11,590,106
\$ 21,471,035	\$ 15,620,985	\$ 15,172,826	\$ 12,372,284	\$ 11,590,106	\$ 15,437,108
3.34%	3.38%	3.10%	2.99%	3.03%	3.04%

Charter Township of Waterford

Financial Trend Information General Government Revenue History Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Property Taxes	Inter-governmental Revenue	Special Assessments (1)	Licenses and Permits	Fines and Fees	Charges for Services	Interest and Miscellaneous	Total Revenue
1996	\$ 12,844,301	\$ 7,317,304	\$ 258,303	\$ 1,225,970	\$ 2,851,803	\$ 1,448,163	\$ 1,740,260	\$ 27,686,104
1997	13,621,986	6,961,935	624,988	1,426,948	3,020,007	1,104,427	1,585,993	28,346,284
1998	14,409,845	6,852,687	559,298	1,457,214	3,206,278	1,249,868	3,907,114	31,642,304
1999	16,303,044	7,863,217	524,219	1,366,294	3,186,853	1,326,703	3,164,332	33,734,662
2000	17,184,089	7,937,944	657,593	1,077,155	2,634,526	1,432,170	4,042,576	34,966,053
2001	18,252,454	8,344,620	715,446	1,165,095	2,814,162	1,580,763	2,604,592	35,477,132
2002	19,687,111	8,325,431	621,018	1,075,998	2,658,430	1,984,950	4,230,603	38,583,541
2003	22,396,355	7,827,753	514,872	1,092,417	2,778,621	2,238,494	1,782,200	38,630,712
2004	23,388,467	7,620,465	489,562	1,170,341	2,764,971	2,315,956	2,301,714	40,051,476
2005	24,586,576	8,158,010	475,639	1,316,715	2,459,084	2,281,763	4,278,487	43,556,274

Note: Includes all governmental type funds

(1) Streetlight special assessment district revenue was reclassified in 2003 as special revenue. It was previously classified as property tax or charges for services. Figures adjusted appropriate retrospectively.

Source: Township annual financial statements.

General Government Expenditure History Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Government	Public Safety	Community and Economic Development	Recreation and Culture	Capital Outlay	Debt Admin.	Miscellaneous	Total Expenditures
1996	\$ 5,716,361	\$ 12,539,423	\$ 2,558,240	\$ 2,726,750	\$ 1,564,842	\$ 589,566	\$ -	\$ 25,695,182
1997	6,368,356	13,029,200	2,541,539	2,753,913	1,364,222	576,099	-	26,633,329
1998	7,223,149	14,857,086	2,464,456	3,159,891	1,517,450	533,820	193	29,756,045
1999	7,001,460	15,008,063	2,431,841	3,307,371	6,047,458	896,198	2,032	34,694,423
2000	7,024,331	16,158,888	2,672,870	3,674,439	7,045,168	1,037,782	513,173	38,126,651
2001	7,526,958	17,384,572	2,689,856	3,965,001	8,239,945	1,120,846	488,004	41,415,182
2002	7,998,661	18,968,282	2,839,461	4,499,079	2,597,818	1,114,713	499,936	38,517,950
2003	7,554,150	21,427,773	3,866,987	4,504,373	2,798,810	1,155,646	123,515	41,431,254
2004	7,519,259	22,184,623	3,449,228	4,045,750	2,324,405	1,169,684	140,705	40,833,654
2005	7,491,459	22,227,359	3,494,062	4,073,698	1,015,745	1,191,556	91,876	39,585,755

Note: Includes all governmental fund type under modified accrual accounting

Sources: Township annual financial statements

Charter Township of Waterford

Financial Trend Information General Fund Balance Compared to Annual Expenditures Last Ten Years (Unaudited)

Fiscal Year	Reserved Fund Balance	Unreserved Fund Balance	Annual Expenditures and Transfers	Unreserved Fund Balance as a Percentage of Expenditures
1996	\$ 68,569	\$ 4,086,587	\$ 16,113,153	25.36%
1997	-	4,738,325	17,273,315	27.43%
1998	-	4,337,219	19,204,196	22.58%
1999	-	5,054,292	19,092,154	26.47%
2000	-	5,248,738	19,614,367	26.76%
2001	-	4,691,515	20,890,575	22.46%
2002	140,412	2,322,497	23,095,019	10.06%
2003	-	764,627	23,212,395	3.29%
2004	-	1,347,204	21,384,170	6.30%
2005	-	1,885,305	21,247,096	8.87%

Source: Township annual financial statements

Charter Township of Waterford

Tax Year	Taxable Value by Property Type (1)			
	Real Property			Agricultural and
	Residential	Commercial	Industrial	Other
1996	\$ 1,089,791,587	\$ 298,629,090	\$ 24,842,510	\$ 1,723,750
1997	1,168,648,816	315,055,116	19,376,900	1,723,750
1998	1,255,954,065	326,788,447	21,310,640	1,723,750
1999	1,346,725,814	335,524,748	21,909,200	1,723,750
2000	1,445,624,295	349,602,576	22,121,770	1,723,750
2001	1,563,454,800	352,382,784	23,522,830	1,778,880
2002	1,670,148,742	369,627,586	24,345,490	1,835,760
2003	1,749,878,017	391,207,486	24,995,290	1,863,250
2004	1,847,604,772	406,505,656	25,447,140	1,906,060
2005	1,944,638,194	427,990,950	27,655,360	1,906,060

(1) Under Michigan law, the revenue base is taxable value. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: Township Assessing Department records

Tax Year	Millage Rates - Direct Township Taxes (1)			Overlapping Taxes
	General Operating	Debt	Total Direct Taxes	County
1996	8.8919	0.7500	9.6419	4.8480
1997	8.8919	0.7500	9.6419	4.8180
1998	8.8919	0.7500	9.6419	4.6564
1999	8.8919	0.7500	9.6419	4.6522
2000	8.8919	0.7500	9.6419	4.6478
2001	9.1419	0.5000	9.6419	4.6438
2002	9.8719	0.4000	10.2719	4.6523
2003	9.8719	0.4000	10.2719	4.6497
2004	9.9074	0.4000	10.3074	4.6476
2005	9.8910	0.4000	10.2910	4.6461

(1) Includes general operating, fire, police, library, and police and fire building debt taxes.

(2) Previously termed homestead and nonhomestead

(3) School rates are based on the Waterford School District, which services a vast majority of the Township's land area.

Source: Township Treasurer's Office records

Revenue Capacity Information
Assessed Value and Actual Value of Taxable Property
Last Ten Years (Unaudited)

Taxable Value by Property Type (1)				Taxable Value as a Percent of Actual	
Personal Property	Total Value	Tax Rate (Mills)	Estimated Actual Value		
\$ 101,907,100	\$ 1,516,894,037	9.64	\$ 3,274,244,684	46.33%	
102,587,050	1,607,391,632	9.64	3,563,658,070	45.11%	
110,876,400	1,716,653,302	9.64	3,858,302,800	44.49%	
115,101,750	1,820,985,262	9.64	4,225,790,490	43.09%	
118,682,730	1,937,755,121	9.64	4,604,816,370	42.08%	
116,892,340	2,058,031,634	9.64	4,992,462,168	41.22%	
115,308,430	2,181,266,008	10.27	5,420,599,136	40.24%	
104,792,550	2,272,736,593	10.27	5,820,022,586	39.05%	
105,809,290	2,387,272,918	10.31	6,156,606,896	38.78%	
94,325,738	2,496,516,302	10.29	6,334,238,440	39.42%	

Direct and Overlapping Property Tax Rates
Last Ten Years (Unaudited)

Overlapping Taxes				(2) Total Tax Rate	
Community College	Intermediate School District	School - Principal (3)	School - Non-principal (3)	Principal	Nonprincipal
1.6522	2.1294	9.0600	27.0600	27.3315	45.3315
1.6522	2.1294	9.1700	27.1700	27.4115	45.4115
1.6456	2.1208	9.1700	27.1700	27.2347	45.2347
1.6300	2.1100	9.1700	27.1700	27.2041	45.2041
1.6109	2.0752	9.1700	27.1700	27.1458	45.1458
1.5952	2.0543	9.1700	27.1700	27.1052	45.1052
1.6090	3.4224	9.1700	27.1700	29.1256	47.1256
1.5983	3.3991	8.6700	26.6700	28.5890	46.5890
1.5889	3.3789	9.6700	27.6700	29.5928	47.5928
1.5844	3.3690	9.6700	27.6700	29.5605	47.5605

Charter Township of Waterford

Revenue Capacity Information Principal Property Taxpayers Ten Year Comparison (Unaudited)

Taxpayer	Type of Business	2005 Taxable Value	Percentage of Total	1996 Taxable Value	Percentage of Total	1996 Rank
1 Detroit Edison	Utility	\$ 21,979,100	0.88%	\$ 16,100,679	1.09%	2
2 General Motors	Manufacturing	13,082,120	0.52%	22,915,530	2.38%	1
3 Summit Place Mall (1)	Retail	8,681,103	0.35%	11,671,449	0.79%	3
4 Cass Lake Shore Apt.	Apartment	8,141,130	0.33%	7,197,881	0.55%	5
5 Rivers Edge Apt.	Apartment	7,897,360	0.32%	6,937,622	0.49%	6
6 Meijer	Retail	6,381,820	0.26%	5,864,328	0.47%	7
7 Consumers Energy	Utility	5,847,740	0.23%	8,111,485	0.40%	4
8 Sears Roebuck	Retail	5,003,880	0.20%	4,948,422	0.34%	9
9 Terry Machine	Manufacturing	4,905,630	0.20%	-	0.00%	0
10 Summit West (1)	Retail	4,358,080	0.17%	-	0.00%	0
Total		\$ 86,277,963	3.46%	\$ 83,747,396	6.51%	

(1) Owned by Ramco-Gershenson in 1995. Properties were subsequently sold to different owners.

Source: Waterford Township Assessing Department records

Property Tax Levies and Collections Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Levy(1)	Current Collections (2)	Percent Collected	Delinquent Collections (3)	Total Tax Collections	Percent of Levy Collected	Delinquent Tax Receivable
1996	\$ 14,625,644	\$ 14,558,099	99.54%	\$ 50,580	\$ 14,608,679	99.88%	(4)
1997	15,486,095	15,412,238	99.52%	60,768	15,473,006	99.92%	(4)
1998	16,533,805	16,460,089	99.55%	67,011	16,527,100	99.96%	(4)
1999	17,531,845	17,452,022	99.54%	46,794	17,498,816	99.81%	(4)
2000	18,672,627	18,523,349	99.20%	26,831	18,550,180	99.34%	(4)
2001	19,855,638	19,677,518	99.10%	57,924	19,735,442	99.39%	(4)
2002	22,385,567	22,222,245	99.27%	21,946	22,244,191	99.37%	(4)
2003	23,351,686	23,286,934	99.72%	26,732	23,313,666	99.84%	(4)
2004	24,583,756	24,435,875	99.40%	66,668	24,502,543	99.67%	\$ 463,904
2005	25,485,596	23,700,073	92.99%	67,393	23,767,466	93.26%	588,556

(1) Prior to 1997, the amount reported is the amended warrant total.

(2) Figure includes delinquent taxes turned over to Oakland County for collections on March 1 of each year.

(3) Prior to 2004, the amount reported is adjusted for delinquent taxes collected for that year during subsequent years.

(4) Not available

Source: Township Treasurer's Office records

Charter Township of Waterford

	Fiscal Year			
	1996	1997	1998	1999
Governmental Activities				
General obligation bonds	\$ 1,510,000	\$ 1,125,000	\$ 7,730,000	\$ 14,210,000
Installment purchase agreements	286,151	60,090	30,045	-
Special assessment bonds	225,000	190,000	150,000	865,000
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	2,021,151	1,375,090	7,910,045	15,075,000
Business-type Activities				
General obligation bonds	43,201,424	38,646,057	33,852,543	28,831,837
Installment purchase agreements	-	-	-	-
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	43,201,424	38,646,057	33,852,543	28,831,837
Total Debt of the Government	\$ 45,222,575	\$ 40,021,147	\$ 41,762,588	\$ 43,906,837
Total Taxable Value	\$ 1,516,894,037	\$ 1,607,391,632	\$ 1,716,653,302	\$ 1,820,985,262
Ratio of Total Debt to Taxable Value	2.98%	2.49%	2.43%	2.41%
Total Population	70,568	71,214	71,860	72,506
Total Debt per Capita	\$ 635	\$ 557	\$ 576	\$ 600

Source: Township annual financial statements; population data reported from demographics schedule

Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years (Unaudited)

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 14,020,000	\$ 13,675,000	\$ 13,905,000	\$ 13,335,000	\$ 13,185,000	\$ 14,630,000
-	-	-	-	-	-
795,000	763,000	673,000	569,000	470,000	380,000
-	-	-	-	-	-
-	-	-	-	-	-
14,815,000	14,438,000	14,578,000	13,904,000	13,655,000	15,010,000
23,579,558	18,077,280	12,300,000	12,050,000	4,835,000	4,665,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
23,579,558	18,077,280	12,300,000	12,050,000	4,835,000	4,665,000
\$ 38,394,558	\$ 32,515,280	\$ 26,878,000	\$ 25,954,000	\$ 18,490,000	\$ 19,675,000
\$ 1,937,755,121	\$ 2,058,031,634	\$ 2,181,266,008	\$ 2,272,736,593	\$ 2,387,272,918	\$ 2,496,516,302
1.98%	1.58%	1.23%	1.14%	0.77%	0.00%
73,150	72,671	72,192	71,713	71,234	71,082
\$ 525	\$ 447	\$ 372	\$ 362	\$ 260	\$ 277

Charter Township of Waterford

Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Years (Unaudited)

Fiscal Year	General Obligation Bonds	Tax Supported Bonds (1)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt Per Capita
1996	\$ 1,796,151	\$ -	\$ -	\$ 1,796,151	\$ 1,516,894,037	0.12%	\$ 70,568	25.452769
1997	1,185,090	-	-	1,185,090	1,607,391,632	0.07%	71,214	16.64125
1998	730,000	7,000,000	216	7,730,216	1,716,653,302	0.45%	71,860	107.57328
1999	635,000	13,575,000	152,195	14,362,195	1,820,985,262	0.79%	72,506	198.08285
2000	545,000	13,475,000	280,709	14,300,709	1,937,755,121	0.74%	73,150	195.49841
2001	450,000	13,225,000	413,357	14,088,357	2,058,031,634	0.68%	72,671	193.86491
2002	955,000	12,950,000	370,741	14,275,741	2,181,266,008	0.65%	72,192	197.74686
2003	710,000	12,625,000	336,053	13,671,053	2,272,736,593	0.60%	71,713	190.63563
2004	935,000	12,250,000	305,245	13,490,245	2,387,272,918	0.57%	71,234	189.3793
2005	2,805,000	11,825,000	286,406	14,916,406	2,496,516,302	0.60%	71,082	209.84787

Note: General Obligation Bonds reported in the Water and Sewer Fund with government commitment and special assessment bonds have been excluded.

(1) Bonds represent debt issued for construction of the police and fire buildings.

Source: Township annual financial statements

Direct and Overlapping Debt Year Ended December 31, 2005 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 113,553,643	4.24	\$ 4,814,674
School Districts:			
Waterford school district	127,880,000	88.00	112,534,400
Pontiac school district	20,492,000	1.56	319,675
Clarkston school district	193,215,706	2.23	4,308,710
Oakland Community College	11,175,000	4.27	477,173
Intermediate school district	10,220,000	4.28	437,416
Total overlapping debt			122,892,048
Direct Township debt	19,675,000	100.00	19,675,000
Total direct and overlapping debt			<u>\$ 142,567,048</u>

Source: Various taxing authorities

Charter Township of Waterford

	Fiscal Year			
	1996	1997	1998	1999
Calculation of Debt Limit (1)				
State equalized valuation	\$ 1,637,122,342	\$ 1,781,829,035	\$ 1,929,151,400	\$ 2,112,895,245
Debt limit (10% of equalized value)	163,712,234	178,182,904	192,915,140	211,289,525
Calculation of Debt Subject to Limit				
Total debt	45,222,575	40,021,147	41,762,588	43,906,837
Less debt not subject to limit:				
Special assessment bonds	225,000	190,000	150,000	865,000
Enterprise Fund bonds	43,201,424	38,646,057	33,852,543	28,831,837
Net Debt Subject to Limit	<u>1,796,151</u>	<u>1,185,090</u>	<u>7,760,045</u>	<u>14,210,000</u>
Legal Debt Margin	<u>\$ 161,916,083</u>	<u>\$ 176,997,814</u>	<u>\$ 185,155,095</u>	<u>\$ 197,079,525</u>
Net Debt Subject to Limit as Percentage of Debt Limit	1.11%	0.67%	4.19%	7.21%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV).

Source: Township annual financial statements

Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years (Unaudited)

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 2,302,408,185	\$ 2,496,231,084	\$ 2,710,299,568	\$ 2,910,011,293	\$ 3,078,303,448	\$ 3,167,119,220
230,240,819	249,623,108	271,029,957	291,001,129	307,830,345	316,711,922
38,394,558	32,515,280	26,878,000	25,954,000	18,490,000	19,675,000
795,000	763,000	673,000	569,000	470,000	380,000
23,579,558	18,077,280	12,300,000	12,050,000	4,835,000	4,665,000
14,020,000	13,675,000	13,905,000	13,335,000	13,185,000	14,630,000
<u>\$ 216,220,819</u>	<u>\$ 235,948,108</u>	<u>\$ 257,124,957</u>	<u>\$ 277,666,129</u>	<u>\$ 294,645,345</u>	<u>\$ 302,081,922</u>
6.48%	5.80%	5.41%	4.80%	4.47%	4.84%

Charter Township of Waterford

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population		Personal Income (in Thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate
1996	70,568	(1)	(5)	(5)	(5)	(5)	(5)
1997	71,214	(1)	(5)	(5)	(5)	(5)	(5)
1998	71,860	(1)	(5)	(5)	(5)	(5)	(5)
1999	72,506	(1)	(5)	(5)	(5)	(5)	(5)
2000	73,150	(2)	(5)	29,389 (2)	27,432 (2)	35.5 (2)	(5)
2001	72,671	(4)	(5)	(5)	(5)	(5)	(5)
2002	72,192	(4)	(5)	(5)	(5)	(5)	(5)
2003	71,713	(4)	(5)	(5)	(5)	(5)	(5)
2004	71,234	(3)	(5)	(5)	(5)	(5)	(5)
2005	71,082	(3)	(5)	(5)	(5)	(5)	(5)

(1) Population estimate based on straight-line amortization between 1990 and 2000 U.S. Census figures.

(2) 2000 population from U.S. Census

(3) Southeast Michigan Council of Governments Information Services estimate

(4) Population estimate based on straight-line amortization between 2000 U.S. Census figures and SEMCOG estimate for 20054

(5) Not available

Principal Employers (Unaudited)

Taxpayer	Enterprise	2004 Employees	Percentage of Total	1995 Employees	Percentage of Total	1995 Rank
1 Waterford School District	Education	1,951	(1)	(1)	(1)	(1)
2 General Motors Corporation	Manufacturing	1,000	(1)	(1)	(1)	(1)
3 Meijer	Retail	645	(1)	(1)	(1)	(1)
4 Contract Professionals Inc.	Staffing	500	(1)	(1)	(1)	(1)
5 Marshall Fields	Retail	400	(1)	(1)	(1)	(1)
6 Kmart	Retail	395	(1)	(1)	(1)	(1)
7 Waterford Township	Government	375	(1)	(1)	(1)	(1)
8 VGs Food Center Inc.	Retail	375	(1)	(1)	(1)	(1)
9 Sears Roebuck	Retail	310	(1)	(1)	(1)	(1)
10 Oakland Intermediate Schools	Education	300	(1)	(1)	(1)	(1)

(1) Not available

Source: Oakland County

Charter Township of Waterford

Operating Information Full-time Equivalent Government Employees (1) Last Ten Fiscal Years (Unaudited)

Department	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Supervisor/Assessing	9	10	10	10	10	10	10	10	9	9
Clerk's office	6	6	7	7	7	7	7	7	6	6
Treasurer's office (2)	9	7	7	7	7	7	7	7	7	7
Fiscal and human resources	3	3	3	4	4	4	4	4	3	3
51st District Court	33	33	32	32	34	34	35	35	35	31
Planning and development	6	8	10	10	10	15	15	15	14	11
Information systems (2)	0	4	4	4	4	4	4	4	4	4
Facilities and operations (4)	12	12	12	13	13	13	12	12	11	10
Building and engineering	14	17	17	16	16	16	16	16	11	10
Parks and recreation (5)	11	11	11	12	12	12	13	13	14	13
Police department	104	109	116	121	121	122	117	117	112	107
Fire department (5)	53	53	55	55	55	56	56	69	69	68
Library	9	11	14	18	18	19	20	20	20	20
Water and sewer (4)	44	48	50	52	52	52	51	52	54	54
Community development (3)	4	5	4	4	4	0	0	0	0	0
Hess-Hathaway farm (6)	0	0	0	0	0	1	1	1	0	0
CAI building (6)	0	0	0	3	3	3	3	3	0	0
Total	<u>317</u>	<u>337</u>	<u>352</u>	<u>368</u>	<u>370</u>	<u>375</u>	<u>371</u>	<u>385</u>	<u>369</u>	<u>353</u>

- (1) Full-time employees reported only, data is not available for equivalent part-time position. Data reported from January 1 of each year.
- (2) The information systems department was created in 1997. Two employees previously assigned to the treasurer's office were moved into this department.
- (3) Employees are included in the total for CPD beginning in 2001.
- (4) From 2001 to 2003, the facilities and operations and water and sewer divisions for the Department of Public Works shared an administrative position.
- (5) Waterford Township residents approved a .63 millage increase in 2002 to add 13 paramedics for an additional EMS unit.
- (6) In 2004, all operations and staff assigned to the CAI and Hess-Hathaway were moved into the parks and recreation department.

Source: Township personnel records

Charter Township of Waterford

Function/Program	Fiscal Year			
	1996	1997	1998	1999
Police:				
Physical arrests	2,915	2,897	2,368	2,269
Traffic violations	15,540	14,096	11,982	14,318
Fire:				
Emergency responses	4,510	4,391	4,510	4,464
Fires extinguished	261	249	265	227
Inspections	(1)	(1)	(1)	(1)
Parks and recreation - Recreation programs (estimated)	440	407	437	475
Library:				
Circulation (books borrowed)	338,624	359,034	354,423	351,071
Collection volume	85,703	98,757	111,693	115,083
Water:				
New connections	664	333	865	679
Water main breaks	(1)	(1)	21	24
Total consumption (billed-cubic feet)	330,562,994	321,189,352	363,947,897	378,919,562
Average annual consumption per customer (gallons)	(1)	(1)	84,823	80,335

(1) Information not available

Source: Departmental annual reports

Operating Information
Operating Indicators
Last Ten Fiscal Years (Unaudited)

Fiscal Year					
2000	2001	2002	2003	2004	2005
2,593	2,420	2,601	2,245	2,367	2,023
15,094	14,753	13,463	12,089	11,303	11,586
4,435	4,395	4,408	5,108	4,777	5,009
216	189	201	220	167	173
(1)	(1)	(1)	(1)	(1)	572
500	528	588	638	690	676
370,994	382,009	383,613	368,557	315,009	357,064
118,693	124,628	121,338	126,965	132,262	141,518
525	434	292	160	165	156
29	27	42	49	25	27
343,983,636	380,505,581	399,388,813	390,076,683	374,382,629	388,727,883
73,573	87,546	87,546	73,843	68,068	70,582

Charter Township of Waterford

Operating Information Capital Asset Statistics (Unaudited)

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	28	28	28	29	30	32	31	31	31
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks	(1)	(1)	(1)	14	13	10	12	13	15	15
Parks and recreation:										
Acreage	617	617	634	653	653	679	684	684	684	684
Playgrounds	7	7	7	8	8	8	9	9	8	8
Soccer fields	3	3	3	3	3	6	6	6	6	6
Baseball/Softball diamonds	12	12	12	13	13	13	13	13	13	13
Libraries - Branches	2	2	2	2	2	2	2	2	2	2
Water:										
Mains (miles)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	332	350
Fire hydrants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	3,447	3,500
Storage capacity (millions of gallons)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Sewer - Miles of sanitary sewers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	332	350

(1) Information not available

Source: Departmental annual reports



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June 12, 2006

To the Board of Trustees
Charter Township of Waterford
5200 Civic Center Drive
Waterford, MI 48095

Dear Board Members:

We have recently completed the audit of the financial statements of the Charter Township of Waterford for the year ended December 31, 2005. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Financial Results

For the year ended December 31, 2005, the Township's General Fund fund balance was increased by approximately \$538,000. Overall, revenues decreased approximately \$181,550 from the prior year, but the Township was able to decrease expenditures by approximately \$448,000, before interfund transfers. The Township was able to accomplish this even while health care costs in total continued to rise. We commend the Township board for making the appropriate budgetary decisions to begin restoring its fund balance. The combined General, Police, and Fire Funds' fund balance is now equal to approximately 7.8 percent of these funds' annual expenditures, increasing from 5 percent in the prior year. In light of the ongoing cost pressures, we understand that it will take continued years of diligence to bring the Township's fund balance to the appropriate levels targeted by the Township board.

Bank Account Reconciliations

In prior years, we worked with the treasurer's department and the accountant to establish a process for communicating cash and investing activity from the Treasurer's department to the accountant. The new process has been designed and the Township began to implement these new procedures in 2004. With the change in accounting personnel in 2005, progress has stalled. However, as of year end, all bank accounts were adequately reconciled and in 2006, efforts are underway to fully implement these new procedures.

We recommend that the Township work with the current accountant to implement the revised procedures (changes in both the bank account structure and the general ledger structure, to bring these two into alignment). We are confident that these procedures will significantly ease the monthly process of reconciling the general ledger to the bank accounts, and make the monthly reporting process more accurate and less time-consuming.



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State-shared Revenue

The governor's budget for the State of Michigan's fiscal year 2005-2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004-2005 funding level. In essence, no further reductions to revenue sharing below the current year 2004-2005 funding level were adopted. However, as in past periods, this could equate to increases in constitutional receipts and actual decreases in the statutory component. During the budget deliberation process over the spring and summer, cuts were proposed by the Legislature to revenue sharing and then subsequently restored.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments and for fiscal years 2004-2005 and 2005-2006. The appropriation in the State's budget for revenue-sharing payments is more than \$500 million less annually than amounts provided for in law based on actual sales tax collections. There appears to be no long-term solution to the State's structural deficit in its General Fund and, as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

As a result of changes made by the State to revenue sharing last year, counties were required to move their property tax levy date for their operating millage from December to July in July 2005. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple-year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out.

State-shared revenue accounts for approximately 28 percent of the Township's total General Fund revenue. The table below details state-shared revenue for the Township based on the State's fiscal year over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2000:

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$ 2,589,789	\$ 4,741,023	\$ 7,330,812	-
2002	2,410,527	4,789,316	7,119,843	\$210,969 (2.9%)
2003	2,081,571	4,857,434	6,939,005	\$391,807 (5.3%)
2004	1,495,971	4,740,479	6,236,450	\$1,094,362 (14.9%)
2005	1,314,864	4,853,609	6,168,473	\$1,162,339 (15.9%)
2006 Estimate	1,164,030	4,934,410	6,098,440	\$1,232,372 (16.8%)

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$1,164,000 at risk in its General Fund budget based on 2005 funding levels. The statutory formula does sunset in 2007. Action by the Legislature is required to renew or continue this funding source. We will continue to update the Township as developments occur.

Retiree Health Care Funding

As mentioned last year, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the Township for the year ending December 31, 2008. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

However, the new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government-wide statement of net assets. We anticipate that this will result in a significant pressure to fund the actuarially recommended contribution on an annual basis.

Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months' lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to this.

Telecommunications Act

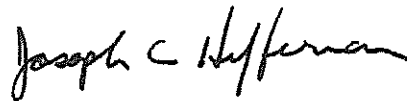
Changes were made by the Legislature to restrict the ability of local governments to engage in telecommunications activities. Additionally, threats exist at both the federal and state level to restrict or eliminate the ability of local governments to regulate and franchise cable television, which would impact franchise fees received by local governments. We encourage the Township to monitor their developments closely given the impact that a reduction in cable franchise fees could have on the Township's budget.

June 12, 2006

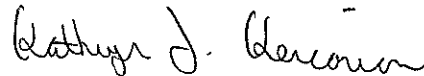
We would like to thank you and your staff for the courtesy and cooperation extended to us during this audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

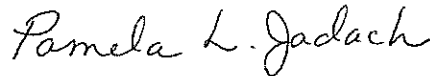
Plante & Moran, PLLC

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Joseph C. Heffernan

Handwritten signature of Kathryn J. Kercorian in black ink.

Kathryn J. Kercorian

Handwritten signature of Pamela L. Jadach in black ink.

Pamela L. Jadach